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DEPARTMENT OF DEFENSE APPROPRIATIONS FOR 1991

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

SUBCOMMITTEE ON THE DEPARTMENT OF DEFENSE

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[1] Resigned Committee, May 16, 1990.
[2] Elected to Committee, May 24, 1990.

DEPARTMENT OF DEFENSE APPROPRIATIONS FOR 1991

TUESDAY, MARCH 13, 1990.

MEDICAL PROGRAMS—DEPARTMENT OF DEFENSE

WITNESS

DR. ENRIQUE MENDEZ, JR., ASSISTANT SECRETARY OF DEFENSE, HEALTH AFFAIRS, DEPARTMENT OF DEFENSE

INTRODUCTION

Mr. MURTHA. The committee will come to order.

This morning we would like to welcome for the first time, Dr. Enrique Mendez, Jr., the new Assistant Secretary of Defense for Health Affairs.

Dr. Mendez, your biography and complete statement will be made part of the record and if you will summarize your statement for us, we will get right to the questions.

SUMMARY STATEMENT OF DR. MENDEZ

Dr. MENDEZ. Good morning, Mr. Chairman. It is a privilege to come before you and the committee in my first appearance as Assistant Secretary of Defense for Health Affairs.

FISCAL YEAR 1991 DEFENSE BUDGET

I am going to look at the problems in the system in the context of the statistics of the Military Health Services System. The total military medical budget continues to hover around the $13 billion figure, and it includes funding not only for operation of the health care system, but for all medically related programs in the DOD. If we look at that total $13 billion, approximately $9 billion of those dollars are spent on peacetime operations of the system. Out of this operating cost, about $3 billion is spent on care financed through CHAMPUS and $6 billion is devoted to operation of our military hospitals and clinics.

HOSPITAL ADMISSIONS

We indeed have dropped in the number of admissions in the system. From fiscal year 1985 to fiscal year 1989, CHAMPUS dropped from 1.3 million to 1.2 million admissions while outpatient visits in the total system increased 2.8 percent. This is consistent with a nationwide downward trend in inpatient care and a corresponding increase in outpatient care.

However, what is interesting about those statistics is the breakout between the two components of our system. Admissions were down by approximately the same percentages in both CHAMPUS and direct care, 4.5 and 7.6 percent respectively. However, for outpatient visits, the number of visits in the direct care system actually decreased by about two million between 1985 and 1989, while the number of outpatient visits financed by CHAMPUS increased by 3.4 million.

MILITARY HEALTH SERVICES SYSTEM

As this committee is aware, our military facilities in that period of time provided less care than some five years ago and CHAMPUS is financing more of that care. In addition, however, our beneficiaries have placed a greater demand on the Military Health Services System as evidenced by the total increase in encounters for the system as a whole.

This committee has continued efforts to reverse the downward trend in the amount of care provided by the less expensive direct care system. Your efforts to improve the capability of the direct care system by providing increased resources over the past several years are greatly appreciated, certainly by my office. I cannot today completely alleviate your concerns by assuring you that the downward trend in workload in military hospitals has been totally reversed.

However, if you look at the statistics from 1988 to 1989, they indicate that indeed the investment efforts have not been in vain. In our most recent one-year statistics from 1988 to 1989, the direct care workload shows an increase in admissions for retirees and for dependents of retirees. Similarly for outpatient visits, even though the five-year trend from 1985 to 1989 showed an overall decrease of four percent, the comparison of 1988 to 1989 indicates an increase in total outpatient visits in military facilities of about one percent. So the Services are indeed dedicated to continuing efforts at reversing that downward trend. The $90 million that was appropriated in FY 1990 for additional support personnel is an example of an influx of resources that can clearly contribute to that reversal of the downward trend seen over the past five years.

COMPREHENSIVE HEALTH CARE MANAGEMENT PROJECT

I wanted to talk also for a moment about the initiation of the Comprehensive Health Care Management project to accelerate efforts to develop, test, and put in place several co-management tools. You are aware of the Composite Health Care System, CHCS, and management tools such as the Diagnosis Related Groups (DRGS), and so on. There is an ongoing effort to develop uniform manpower standards. Other elements, such as quality assurance and improved recovery of third party payments, which were priority Department of Defense programs as well will be addressed by CHCM.

The increased demands on the MHSS have been most visible and startling in the CHAMPUS program. While military treatment facilities handled some 400,000 more outpatient visits in fiscal year 1989 compared to fiscal year 1988, CHAMPUS outpatient visits shot up by 1.1 million. It is this increase in total demand through-

out our system that is driving the CHAMPUS cost escalation because our military hospitals and clinics have been able to absorb only about one quarter of the increased demand. So again, in fiscal year 1990 we are facing a shortfall in the CHAMPUS program of about $541 million. About $100 million of that is the result of a carryover into fiscal year 1990 of unpaid fiscal year 1989 claims, and the balance is explained primarily by the fact that utilization has increased.

I have asked the Services to identify the sources for the needed reprograming and to quickly proceed with submission of the appropriate documents to the Congress.

If we look beyond fiscal year 1990 and fiscal year 1991, I cannot bring you a quick fix today. I do agree with the concept advocated by the committee though, to reduce reliance on the usually more costly CHAMPUS program the direct care system needs to be used to the greatest extent possible. Educating and motivating patients to use the system more effectively is necessary.

CHAMPUS REFORM INITIATIVE

The CHAMPUS Reform Initiative, CRI, stands alone right now as a successful innovation in imposing managed care on our system, and there has been increased evidence of success with that. CRI has been delivering care in California and Hawaii for basically a year and a half and there are about 11,000 physicians and 130 hospitals now that have joined that network. Some 70,000 beneficiaries are enrolled, and the subcontractor has now fixed the claims processing, which had been one of the initial problems. They have now processed about 96 percent of the one and a half million network claims that have been received to date, and Blue Cross of Washington and Alaska has processed about 97 percent of the 1.6 million claims that they have received.

We got a preliminary evaluation of CRI in January from the Rand Corporation in terms of cost. They found that CRI costs increased by 4.6 percent and estimated that without CRI, costs would have probably increased 22 percent in California and Hawaii. That contrasted with CHAMPUS cost increases of 17 percent in the catchment areas of the other 48 States. That says to me that with CRI, costs were contained significantly over what happened in the rest of CHAMPUS.

Our managed care efforts will need adjustments from lessons yet to be learned.

REPORT ON HEALTH CARE MANAGEMENT

I am carefully contemplating another topic of interest to this committee, having to do with reorganization of health care management. Within the Department your suggestions for change are being evaluated now and I will submit a report to you by June 30, which is the due date for that report.

SUMMARY

I will conclude, Mr. Chairman, by saying while my remarks have dwelt on several issues that are of great interest to the committee, I want to assure you that during my tenure as Assistant Secretary,

I do not intend to ignore the myriad of other complicated and interrelated issues that fall under my office's purview. Such things as the medical readiness capability of the Services to attract and retain the highest quality medical personnel possible both in Active and Reserve forces; to continue to surpass quality assurance standards of the civilian health care sector; to continue to advocate health promotion action on the part of our military personnel; and to continue in military relevant ways to play a key role in the fight against AIDS and participate in AIDS research.

For the sake of brevity, I have not addressed these issues. Please don't take this as an indication of either my interest or an establishment of my priorities.

Mr. Chairman, I will be happy to answer any questions on these or any topics that you wish.

[The statement of Dr. Mendez follows:]

STATEMENT OF ENRIQUE MENDEZ, JR.
ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)

Mr. Chairman, Members of the Committee:

It is indeed a privilege to come before this Committee, in my first appearance as the Assistant Secretary of Defense for Health Affairs.

I note that this Committee has shown an exceptional interest in the Military Health Services System. Committee reports from past years and discussions with Members and staff leave me with a clear
indication of your knowledge of the system and your genuine dedication to solving cost and access problems which continue to plague our medical care system. I applaud your interest and dedication and I look forward to working with you in attempts to solve even our most contentious problems.

Military Health Services System (MHSS) - Funding and Workload Trends

I believe the problems facing the system are best viewed in the context of recent statistics for the Military Health Services System. The total military medical budget continues to hover around the $13 billion figure we are all familiar with. We should all remain cognizant of the fact, however, that the $13 billion funds much more than day-to-day operations of the medical care system. It includes funding for all medically-related programs in the Department of Defense -- from medical construction to biomedical research, from deployable medical systems to health professions scholarships.

Of the total $13 billion, approximately $9 billion is spent on peacetime operation of the system designed to provide medical care to our 9 million plus beneficiaries. Of this $9 billion operating cost, close to $3 billion or one-third is spent for care financed through the CHAMPUS program with the remaining $6 billion (two-thirds) devoted to the operation of our military hospitals and clinics.

What do recent statistics tell us about the operation of the Military Health Services System? Admissions are down in the total system. From 1985 to 1989, total admissions in military hospitals or financed through CHAMPUS dropped from 1.3 million to approximately 1.2 million or by 6.9 percent. Meanwhile, outpatient visits in the total system increased 2.8 percent, from 54.3 million to 55.8 million. This is consistent with the nationwide downward trend in inpatient care and corresponding

increase in outpatient care, partly explained by the fact that more procedures are able to be done without incurring a hospital admission. The general trend is not surprising.

What is interesting, though, is the breakout of these statistics between the two components of our system and the overall increase in the number of "encounters" demanded of our system. Admissions were down by approximately the same percentages in both CHAMPUS and direct care, 4.5% and 7.6%, respectively. However, for outpatient visits, the number of visits in the direct care system actually decreased by about 2 million, or 3.9 % from 1985 to 1989, while the number of outpatient visits financed by CHAMPUS increased by 3.4 million, or almost 65%. As this Committee is aware, our military facilities are providing less care than we did five years ago and CHAMPUS is financing more of the care -- especially outpatient care -- needed by our beneficiaries. In addition, however, our beneficiaries are demanding more care of the Military Health Services System as evidenced by the total increase in encounters for the system as a whole.

Increased Capability of Military Facilities

This Committee has made continued efforts to reduce the downward trend in the amount of care provided by the less expensive direct care system. Your efforts to improve the capability of the direct care system by providing increased resources over the past several years are greatly appreciated and reinforce some of the same initiatives undertaken by the Department. You have expressed frustration that you have not seen results from this influx of money -- that the dollars have been deposited into a "Black Hole" and that workload at the military medical facilities continues to decrease.

I cannot completely alleviate your concerns by assuring you that the downward trend in workload at military hospitals and clinics has been totally reversed. However, I have noted that recent statistics (FY 88 to FY 89) indicate that our investment efforts and the efforts of this Committee have not been in vain. We spoke of admissions for the total system decreasing. This is true of both the direct care and CHAMPUS components over the past five years. However, the FY 89 direct care workload, when compared to FY 88 shows an increase in admissions for retirees and dependents of retirees.

Similarly for outpatient visits, even though the five-year trend from 1985 to 1989 shows an overall decrease of 4 percent in outpatient visits, the comparison of 1988 to 1989 indicates an increase in total outpatient visits in military facilities of about 1 percent. Certain beneficiary categories increased while others decreased. Outpatient visits by active duty personnel increased over 2 percent from 1988 to 1989. Outpatient visits for retirees increased one percent and outpatient visits of active duty dependents also increased.

I can only hope that this long awaited upward trend of workload at our military facilities is an indication that we have been successful in reversing the trend, that we have turned a corner, and are now on the road to increasing our capability within the direct care component.

Staffing/Support Personnel

The Services, I know, are dedicated to continuing to direct efforts at reversing the downward trend in care provided in our military hospitals and clinics. The Department and the Congress continue to encourage these efforts by providing additional resources and tools to increase their capacity. The $90 million appropriated in Fiscal Year 90 for additional support personnel is a perfect example of an influx of resources that can clearly contribute to increased capability. The Department has recognized the importance of obtaining these personnel by exempting up to 1,000 medical personnel per Service from the recent civilian hiring freeze. Each Service Secretary also has been provided with authority to release additional positions on a case by case basis when it is essential to meet medical requirements.

Comprehensive Health Care Management (CHCM)

There are other management initiatives underway, some as a result of this Committee's urging. We intend to move ahead on a number of approaches to improving the efficiency of DoD direct care system operations. In June, 1989, Health Affairs initiated the Comprehensive Health Care Management Project to accelerate efforts to develop, test and put into place several key management tools. Not all elements of CHCM are new. Some, such as use of Diagnosis Related Groups (DRGs) for resource allocation and enrollment, are legislatively mandated and were

already under development. Others, such as uniform manpower standards, were underway but needed enhancement by the addition of new resource measurement factors. Still others, such as quality assurance and improved recovery of third party payments, were priority national DoD programs for which CHCM became a means of accelerating development and testing new concepts. When fully integrated with the Composite Health Care System (CHCS), the features of CHCM will constitute a management framework which will provide a range of managed care options for the local hospital commander.

CHAMPUS Funding

I have mentioned the increased demands placed on the military medical system. These increased demands have been most visible and startling in the CHAMPUS program. While military treatment facilities handled some 400,000 more outpatient visits in Fiscal Year 1989 compared to 1988, CHAMPUS outpatient visits shot up by 1.1 million. It is this increase in total demand throughout our system that is driving the CHAMPUS cost escalation because our military hospitals and clinics have been able to absorb only about one-quarter of the increased demand and the vast bulk of the increased load they have absorbed has been active duty members, not CHAMPUS eligibles.

Once again we are facing a shortfall of $541 million in Fiscal Year 1990. Close to $100 million of this shortfall is a result of a carry-over into FY 90 of unpaid FY 89 claims. The balance is explained primarily by the fact that utilization increased -- an increased number of CHAMPUS claims were submitted for payment. Our payment reforms, put in place in recent years with your support have been successful in controlling the rate of growth in the cost per incident of care financed by the CHAMPUS program (both through Diagnostic Related Groups (DRGs) and the application of the Medicare Economic Index.) However, overall costs continue to rise due to the increased volume of care to which I referred earlier.

To resolve the Fiscal Year 90 funding shortfall, I have asked the Services to identify immediately sources for the needed reprograming and quickly proceed with submission of the appropriate documents to the Congress.

The Fiscal Year 91 President's Budget request fully funds CHAMPUS against the best estimate of the requirement. The Department re-evaluates budget estimates frequently and periodically in order to have early notice of any adjustment to the requirement. We are monitoring the Fiscal Year 91 CHAMPUS funding situation closely.

Looking beyond Fiscal Years 90 and 91 -- for a long term solution to our cost escalation problem -- I cannot bring you today a quick fix. I do agree with the concept advocated by this Committee: to reduce reliance on a sometimes more costly CHAMPUS program, the direct care system needs to be used to the greatest extent possible.

Managed Care

Educating and motivating patients to use the system more effectively and to seek the most cost-effective source of quality care is not a new concept. It is the managed care concept with which we are all familiar. Managed care carries the potential for the greatest effect for improvement in both utilization and unit cost control. As an integrated approach, proven managed health care techniques can reach three major objectives -- cost containment, service enhancement, and improved coordination within the overall system.

The CHAMPUS Reform Initiative stands alone right now as a successful innovation in imposing managed care on our system. There has been increasing evidence of success with our managed care programs in other parts of the country such as the fiscal intermediary demonstration in the southeast region and the CPA mental health contract in the Tidewater, Virginia area. As you know, too, catchment area management programs are underway in both the Army and the Navy, with the Air Force sites now coming on line.

The CRI has been delivering services now in California and Hawaii for a year and a half. Its impact is definite. Beneficiaries are happy with the improved medical benefits from participating providers, not having to file their own claims, preventive care, and the system of health care finders. Approximately 11,000 doctors and 130 hospitals have joined networks. 69,000 beneficiaries are enrolled in CHAMPUS Prime; over half of our claims now come from network providers over

whom we have increased quality and cost controls. We have close to 100 Health Care Finders in MTFs in the demonstration area assisting staff and patients coordinate their health care needs.

MTF Commanders have voiced strong support for the program. Resource sharing agreements with the contractor have allowed them to respond to beneficiary needs by increasing their in-house capabilities, recapturing the generally more expensive CHAMPUS care. CRI provides our military hospital commanders with an easy-to-use, cost-effective tool that truly helps them manage the beneficiary population within their catchment areas at a predictable, fixed price.

I am well aware of the difficulties the program underwent in its early days of operation with which this Committee was justifiably concerned. Substantial improvements have occurred with the financial capability of the contractor. All financial indicators point to a company that is continuing to improve its financial condition. The Defense Contract Audit Agency changed its assessment of the company's chance of bankruptcy from likely to remote. Independent auditors upgraded their unfavorable financial opinion to favorable.

The substantial start-up problems with both network and standard claims processing systems have been virtually eliminated -- with few individual exceptions. The subcontractor hired to fix network claims, Electronic Data Systems (EDS), has now processed 96% of the 1.5 million network claims received to date. Blue Cross of Washington and Alaska has processed 97% of the 1.6 million claims they have received.

One of the key principles forming the cornerstone of this demonstration always has been that the demonstration should continue only if the actual price is likely to remain below what CHAMPUS would have cost without the Reform Initiative. In preliminary results published in January, the RAND Corporation found that CRI costs increased 4.6 percent and estimated that, without CRI, costs would have increased 22 percent in California and Hawaii. This contrasted with CHAMPUS cost increases of 17 percent in the catchment areas of the other 48 states. That says to me that costs are contained significantly over what happened in the rest of CHAMPUS. With an estimated $30 million savings in two states during its first year, that tells me CRI has some features that can dramatically help our military hospitals and CHAMPUS, with which they interface under CRI, become a more efficient and cost effective integrated health care system.

I expect our managed care efforts will need adjustments from lessons yet to be learned. Our medical care system's dynamics leave us with great challenges. But we are in step with the best of what is happening throughout the health care industry, and I expect we will be a leader in many future changes.

Reorganization

One final topic of interest to this Committee -- the reorganization of health care management within the Department. I am carefully contemplating your criticisms of the current organizational structure and your suggestions for change. I will submit a report to you by the June 30 due date.

Conclusion

While my remarks today have dwelt on several issues that I have concluded are of great interest to this Committee, let me assure you that during my tenure as Assistant Secretary of Defense for Health Affairs, I do not intend to ignore the myriad of other complicated and interrelated issues that fall under my office's purview, among them:

-- to further improve our medical readiness capability,

-- to attract and retain the highest quality medical personnel possible in our active and reserve forces,

-- to continue to surpass the quality assurance standards of the civilian health care sector,

-- to continue to advocate health promotion actions on the part of our military personnel,

-- to continue, in militarily relevant ways, to play a key role in the fight against AIDs, and participate in AIDS research.

For the sake of brevity, I have not addressed these issues. Please do not take this as an indication of either my interest or an establishment of my priorities.

Mr. Chairman, I would be happy to answer questions on these or any other topics.

THE HONORABLE ENRIQUE MENDEZ, JR., M.D.
ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)

Enrique Mendez, Jr., M.D., was nominated by President Bush to be Assistant Secretary of Defense for Health Affairs on December 5, 1989, confirmed by the Senate on February 28, 1990, and sworn in on March 5, 1990.

As Assistant Secretary of Defense for Health Affairs (ASD(HA), Dr. Mendez is responsible for overall supervision of the health and medical affairs of the Department of Defense (DoD). He serves as the principal staff assistant and advisor to the Secretary of Defense for all DoD health policies, programs, and activities and, subject to the direction of the Secretary of Defense, exercises oversight of all DoD health resources.

The primary mission of the ASD(HA) is to ensure the Nation has available at all times a healthy fighting force supported by a combat ready health care system. The ASD(HA) is responsible for providing a cost effective, quality health benefit to active duty members, retirees, survivors, and their families. The ASD(HA) carries out the medical readiness and health care delivery responsibilities to over nine million DoD beneficiaries through a 13 billion dollar health care system consisting of a worldwide network of 168 hospitals, over 800 medical and dental clinics, and the Department's civilian sector health benefits cost sharing program. The ASD(HA) is the Chairman of the DoD Health Council.

Dr. Mendez was born in Santurce, Puerto Rico on July 15, 1931. A graduate of the University of Puerto Rico (1951) and Loyola University School of Medicine (1954), he completed his internship at Mercy Hospital in Chicago in 1955.

Dr. Mendez served in the U.S. Army Medical Corps for 28 years, retiring in the permanent rank of Major General in 1983. He entered the Army in 1955 as a first lieutenant, general medical officer, and completed his residency in Internal Medicine in 1960. He served as Division Surgeon, 3d Armored Division, Frankfurt, West Germany; Commanding Officer, 45th Field Hospital, Vicenza, Italy; Command Surgeon, Southern European Task Force, Vicenza, Italy; Director of Health Care Operations, Office of the Army Surgeon General, Washington, D.C.; Deputy Surgeon General of the Army, Washington, D.C., and Commanding General of Walter Reed Army Medical Center, Washington, D.C.

Dr. Mendez returned to his native Puerto Rico to become, first the Dean, and subsequently, the Dean and President of the Ponce School of Medicine. He then served as Medical Director of the Damas Hospital in Ponce before becoming Secretary of Health of the Commonwealth of Puerto Rico.

Among his numerous awards and honors, Dr. Mendez holds the Alumni Award from Loyola University, the Laureate Award from the American College of Physicians, the Distinguished Service Award from the Federal Health Care Executives Institute Alumni Association, the Knight rank from the Order of the Holy Sepulchre, and the Calidad de Vida Award from the Commonwealth of Puerto Rico. Included among his military awards are the Distinguished Service Medal, the Legion of Merit (two awards), the Order of Military Medical Merit, and the Expert Field Medical Badge.

Dr. Mendez is a Diplomate of the American Board of Internal Medicine, a Fellow of the American College of Physicians, and a member of various professional organizations and societies.

Dr. Mendez is married to the former Olga M. Munoz and they have four children: Olga (the wife of Lieutenant Colonel Frank Portel, Dental Corps, U.S. Army), Major Enrique B. Mendez, Judge Advocate General Corps, U.S. Army (wife Carol), Carmen (the wife of Harry Flores of Washington, D.C.), and Margo (the wife of Captain (Promotable) Jose Cabrero, Military Police Corps, U.S. Army). Dr. and Mrs. Mendez have five grandchildren: Michael, Francisco, Maria Cristina, Antonio, and Carmen Teresa.

QUALITY CARE

Mr. MURTHA. Thank you, Mr. Secretary. We appreciate what you have said about the input of this committee, because we certainly have been interested. We became interested because the troops out in the field were complaining that they weren't receiving adequate medical service. It has been a frustrating thing for us, as you can imagine, when we look at the figures and the difficulty that we are having in moving the Department of Defense in the direction of better efficiency and better service.

I know you are aware of our concerns, the lack of coordination and low efficiency that we have complained about, and low overall planning of the Services. Your predecessor complained continually about the difficulty he had in trying to coordinate between the Services the delivery of medical service to the recipients.

Do you agree with the concerns we have, and are you working on a report that we are to receive on June 30th?

Dr. MENDEZ. Yes sir. I am working on that report. That report basically will address what the normative issues are, belonging to the Department, the interrelationships with the Surgeons General of the Army, Navy, and Air Force, as well as the Services' Assistant Secretaries for Manpower and Reserve Affairs; the interrelationships within the Department of Defense that have to do particularly with manpower and personnel affairs, and also, with Reserve Affairs. So I will have that report to you, sir, by June 30.

CHAMPUS SHORTFALL

Mr. MURTHA. Mr. Secretary, the CHAMPUS budget again is short by $440 million. How does that happen? I mean, do you send the budget up to the Department of Defense that is inaccurate or do they cut it out at the Department of Defense level? What happens that we get a budget that you know very well has to be funded, the Department of Defense, OMB, whoever finally decides on the figure knows it has to be paid at some point. Why do we get an unrealistic figure like that, and we have gotten it since 1988?

Dr. MENDEZ. There are several reasons for it. I asked myself the same question when I came to the Department. I can identify three areas that need work. One area has to do with the model that is used specifically to try and project workloads. For instance, this past year, as you noticed, there was a significant increase in the number of visits. There was a significant utilization increase within both CHAMPUS and the direct care system. That increase in workload was not predicted.

Secondly, I think it is necessary to revisit the issue of projected savings. The expectation of savings from specific actions is an issue that needs revisiting.

These two things I think are very important in trying to see what the prediction is, namely the utilization of the model, being able to look at the timing as well as the number of people that are going to demand care, and finally, the expectation of certain cost savings which actually do decrease the amount that you initially believe you need for the budget.

Mr. MURTHA. Well, Mr. Secretary, you and I both know that the direct medical services from the military is the cheapest and best

type of medical care we can give. CHAMPUS went up 18 percent. Even with the emphasis we put on trying to increase the number of medical personnel available, doing everything we could do in this committee, consulting with the department, we have only made a very minimal change.

We have a pilot project going on in California that you mentioned. That really doesn't indicate that you are going to have any substantial savings because when you take the administrative costs, there isn't any big savings. The point is we are talking about closing bases and people who are on pensions having to go to CHAMPUS.

LONG BEACH HOSPITAL

We are talking about dependents in the Long Beach area, for instance. Several years ago, Mr. Webb called me. He was Secretary of the Navy at that time, and he said, you looked at Bethesda today and a couple of other hospitals. I want you to look at Long Beach. So we went out there and looked at it and it was a disgrace. They didn't take any emergency care and I have forgotten how many dependents were in that Long Beach area, but a significant number of dependents—50,000 to 100,000.

So we started working on trying to improve it. I have been back to visit it two times since then. The staff has been back almost every year. We still don't see that the delivery of services has improved significantly.

No question about it, it is a little better than it was, according to the people on the ground, but you still have these tremendous increases in cost in CHAMPUS out there that could be reduced significantly. It seems to me if we were in business, we would say it is much cheaper to deliver services in the hospital with military personnel than it is to send them to CHAMPUS and we are going to do everything we can to reduce this cost. And, of course, the cost continues to escalate.

What can we do to help you redirect these services to reduce the cost and give them the type of medical services that they contracted for in the first place, that they expect from the military service itself?

Dr. MENDEZ. I believe that any effect on costs has a certain lead time attached to it. For instance, this committee was indeed instrumental in assigning to the Services amounts of money so that they could get more support staff, and therefore make it easier for the physicians and the other health care workers to be able to provide health care. That has not been completed as yet. Because of the lead time to be able to hire these personnel, from the end of last year until now, has meant that this hiring action still has not been completed.

Mr. MURTHA. What is the problem there, what takes so long?

Dr. MENDEZ. It is the problem of trying to get the personnel and getting them on board, if they are civilian personnel.

To address the other two parts of your question also, which I think need addressing, if indeed you go to a base closure which contains a hospital within it, and if the active duty personnel are moved, then of course the dependents will move with them to an-

other place. However, individuals who are in that area of the base closure may feel the absence of health care, particularly the retirees and the dependents of retired, one of two ways:

The individuals that are below 65 will feel that and they will feel that directly in terms of increased reliance on CHAMPUS.

The individuals who are above 65 and who are not entitled to CHAMPUS, would feel it in a different way, in that they would have some payments for Medicare that they would not normally have if they were continuing to use that particular military hospital. So there is indeed an effect from base closure and that effect may be different on the two groups of beneficiaries in simply where they happen to find alternative sources of care.

CHAMPUS SHORTFALLS

Mr. MURTHA. I understand that. I am asking what can we do in order to expedite the process? This is so frustrating year after year to see underfunding of CHAMPUS. It is unrealistic, and with the budget figures as we see them, we know that we are going to have to find a place to fund CHAMPUS this year, and then not moving quickly enough to reduce the CHAMPUS load. Meanwhile, CHAMPUS costs are escalating by as high as 18 percent in one year.

We are going to have more and more people retiring, more and more people looking for these benefits, so either CHAMPUS costs are going to go up or the direct costs are going to go up. And it is so much cheaper to deliver the service directly and so much better, because those people would like to have the medical service provided from the military if they can.

Dr. MENDEZ. There are two major things that the committee can do to continue to be helpful—to continue your support by maintaining the personnel necessary to be able to man the hospitals, both hands-on personnel, as well as support personnel, and certainly the funding necessary.

Also, I think we in the Department have to be better ourselves in the forecasting of the CHAMPUS needs to be able to present them to you, sir.

Mr. MURTHA. So this is not something that is done in the White House and OMB, this was an under-estimation at your own level in your department?

Dr. MENDEZ. In not predicting the increase, yes sir.

Mr. MURTHA. Well, can you come up with a plan that would help us before we go to markup? You are going to be here at least four years, we hope. Can we start out seeing if we can't reorganize this? Give us some dramatic proposal. It seems to me that if we took that $400 million, and we put it into direct medical assistance in the military establishment, that you would more than make up for the expenditure there. If you could give us a plan where we could insist that the money be spent there, maybe we can expedite it.

I hear over and over again how difficult it is to attract personnel and I appreciate that. If you could give us a plan, we would like to see your recommendations about what you would do in order to, first of all, increase the efficiency and overall cooperation of the Services, and second—and just as important—to figure out a way where we can provide these services in the military establishment

rather than through CHAMPUS. See if we can't shift money around from CHAMPUS to direct services in a significant way which would mean expediting the care or the change so that we can get cheaper and just as good if not better care.

Mr. McDade.

QUALITY CARE

Mr. McDade. Thank you very much, Mr. Chairman.

Doctor, let me welcome you. As the chairman said, we look forward to a four year tour, so that you can begin to get your arms around what is really a very, very severe problem. I have been a member of the House for 28 years and have watched colleagues make an effort to move the wheel along to make a contribution. I have never seen anyone devote so many hours as the chairman of this committee has, to try to make sure that our people—the men and women serving the country—get quality medical care, in all my experience in the last 28 years. So when you have been challenged to present a report and be bold in your thinking, and to get at the problem, let me underscore to you the validity of that challenge.

The gentleman that you have been speaking to has put countless hours into it of his own time, and wants to see this problem solved, and you have the rare opportunity of coming in to address the problem, so I want to encourage you to do so.

Dr. Mendez. Thank you, Mr. McDade.

Mr. McDade. This is the last hearing that Betsy Phillips, who has worked on this problem, will work on medical care. She is going to go over and wear a different hat for the committee, and we will miss her. She has done a great job.

CHAMPUS SHORTFALL

You have been talking with the chairman about the costs out of control. The estimate originally submitted, $440 million, is now $540 million, up $100 million in two months?

Dr. Mendez. It was up in part because $100 million of the shortfall in dollars were from the 1989 timeframe, claims that were carried over from the 1989 to the 1990 timeframe.

Mr. McDade. Whatever the reason, in two months it is $100 million more, whether it is a claim shifting from here to there, it highlights the problem that we have to deal with gross understatements of cost. Your statement says you are fully funding the request for CHAMPUS, but what is it that leads you to believe, since you have had this incredible cost growth, that it is going to be less in FY 1990 than 1991? Are you going to do something different?

Dr. Mendez. Basically, the reason for that is the emplacement of managed care. Namely the additional personnel, the effects that are already beginning to show that the Services are picking up some of the work load, and the combination of these actions, that I expect us to have that type of savings in this one period.

Mr. McDade. We hope so. That is an old, long playing record up here and we hope you are accurate because you have been given a rare challenge and a request for cooperation to try to do it, and it is very sincere.

We have heard that before. We increased the funding for the Services' medical program by $318 million in the last two years in an effort to get people away from CHAMPUS and back into the military facilities to start to try to deal with this problem. Why, therefore, did the CHAMPUS program increase by $332 million at the very time that we put in $200 million for direct facilities care?

Dr. MENDEZ. There has been an increase in demand. Although the Services have been able to respond in 1989, there has been an increased cost in health care throughout the nation. I believe that the matter of increased cost, plus the increased demand, has been experienced on both sides, both on the direct side——

Mr. MCDADE. Is there something happening in the profile that indicates that there are two or three things causing this increased demand?

Dr. MENDEZ. It is basically ambulatory care, and that increase in demand is evident both on the part of dependents and retirees.

Mr. MCDADE. Basically outpatient care?

Dr. MENDEZ. Yes sir.

Mr. MCDADE. The fiscal year 1981 request for CHAMPUS was $786 million. Fiscal year 1981, not too long ago. Actual outlays $804 million. The request this year is $2.8 billion. Do your best. We know you will.

Dr. MENDEZ. I will, sir.

OVERSEAS PHYSICIAN LIABILITY

Mr. MCDADE. We want to try to help you. The chairman is being very sincere with you.

It has been brought to our attention that there has been some court decisions ruling that physicians were personally liable in overseas stations, and not in accordance with the way the system works in the United States, where the government under the Tort Claims Act, is liable in the event of a problem, not the individual. We understand that the Justice Department has stepped forward and said we will try to take care of that problem, but we also understand that courts are saying they are not going to allow that to occur. What is going on there?

Dr. MENDEZ. The word is that the Justice Department has said that they will step forward and defend. If there are any suits that would emanate from that, they would be defended by the Department of Justice.

Mr. MCDADE. Suppose they lose?

Dr. MENDEZ. Then payment of that would have to be by the government.

Mr. MCDADE. Overseas it is by the individual. In other words, they are making a different decision than is applicable in-country, a difference between in-country and out of country, and even though the Justice Department will do the defense if courts permit that, overseas they say the individual physician will be personally liable.

We can just imagine the difficulties that would potentially produce for a doctor who is willing to serve overseas. We don't know what the ramifications are, and if there is something that

the Congress needs to do it is to try to involve itself in that problem.

Dr. MENDEZ. Very well, sir. Thank you.

THIRD PARTY LIABILITY

Mr. MCDADE. In fiscal year 1990, Congress provided authority for the department to collect payment from third party payers, private health insurance companies, for care provided to military beneficiaries in military facilities. This was initiated at the department's request and money collected from these third party payers will go to maintaining and operating military facilities.

Has that program been implemented?

Dr. MENDEZ. Yes sir. I have looked at the figures from 1987, 1988, and 1989, and the program has indeed been implemented.

Mr. MCDADE. Is it going along?

Dr. MENDEZ. Yes sir. The yield of that program is approximately at this point, about 45 percent of billings, Mr. McDade.

Mr. MCDADE. That is the outstanding that is sitting there?

Dr. MENDEZ. Yes sir.

EFFECTS OF REPROGRAMMING DENIAL

Mr. MCDADE. We put language into the bill last year to insulate you from possible impacts of sequestration, et cetera, and we are having this tremendous flap now because of the decision that the Chairman of the Armed Services Committee made not to at this date permit the reprogramming. We tried to insulate you and your people from the impact of sequestration and a possible nonapproval of a deferral.

Have you had any adverse effects because of the failure to approve the reprogramming request?

Dr. MENDEZ. Not so far, sir.

Mr. MCDADE. How much money are you drawing from other accounts? You draw from other accounts to take care of that, don't you?

Dr. MENDEZ. Let me supply that for the record, Mr. McDade, because I don't have the data.

[The information follows:]

The Services have been instructed to minimize the negative effect of the reprogramming on medical programs, if it is denied by the Congress. But given the magnitude of the reprograming request, and the lateness within the current fiscal year (FY 1990), medical programs may have to be impacted if the military personnel reprogramming is denied by the Congress.

Mr. MCDADE. Thank you, Doctor.

HIRING FREEZE

Mr. MURTHA. Let me ask you about the hiring freeze. We sent a letter and asked that you be exempt. Have you been exempt from the hiring freeze?

Dr. MENDEZ. Yes sir. The following actions have happened, and in the actual letter of guidance from the Secretary, medical was specifically addressed.

What has happened also from that is that already the Services have been given 1,000 exempt spaces each for medical personnel

and then also, the responsibility has been lateralized to the Services to be able to exempt more spaces if and when those are necessary.

Mr. MURTHA. Mr. Hefner.

THIRD PARTY PAYERS

Mr. HEFNER. Thank you, Mr. Chairman.

Did Mr. McDade ask you about the collection from third party payers?

Dr. MENDEZ. Yes, Mr. Hefner.

Mr. HEFNER. How is that program going? Do you consider it successful or somewhat successful?

Dr. MENDEZ. Basically, he asked me whether the program had been implemented and what the results have been up to the present time. I reviewed the program and the last figures show we have been successful in retrieving about 45 percent of billings.

Mr. HEFNER. Forty-five percent of billings. Is that 45 percent of what we spent?

Dr. MENDEZ. That is 45 percent——

Mr. HEFNER. Of what?

Dr. MENDEZ. Of the bills that were sent out.

Mr. HEFNER. So if I can get my question straight. The bills that were sent out, you felt like that they should have been paid by a third party?

Dr. MENDEZ. Yes sir.

Mr. HEFNER. But only 45 percent were paid?

Dr. MENDEZ. Was collected, yes sir.

Mr. HEFNER. So it is not a successful program is it?

Dr. MENDEZ. That has been the amount pretty much over 1988 and 1989. It certainly has not collected 100 percent.

Mr. HEFNER. Why is that? I don't understand, I talk to a lot of our veterans that have insurance from third parties but insist on going to big hospitals, and in many cases, not filing. They pay their premiums and insist on the care. To me, the program has been implemented, but of the 100 percent of the billings that you send out, you are collecting only forty-five percent of them. That means that we are not even in the 50 percent collection rate. Aren't they legitimately liable for the payment?

Dr. MENDEZ. We have had a group of people that tell us that they are not liable for it. We have had our legal people who have questioned this determination.

Mr. HEFNER. By people, are you talking about insurance companies?

Dr. MENDEZ. Yes sir.

Mr. HEFNER. The insurance companies would tell you that they are not liable for any of it, but people pay their premiums and if they weren't veterans they would be collecting for the care provided.

Dr. MENDEZ. It has varied. The liability or lack of liability has been described by the insurers in the following ways:

One, that the amount of coverage is limited, is one of the answers. The other, that the patient was not covered for that particular procedure by the policy, that the care provided was not covered,

or that the policy had expired. There have been a number of those actions which have generally fallen within those categories.

Mr. HEFNER. So you're satisfied with the 45 percent rate?

Dr. MENDEZ. No sir, I am not satisfied.

Mr. HEFNER. Do we not have any legal people in your department that could be a little more aggressive?

How much money is this?

Dr. MENDEZ. The amount that was billed in fiscal year 1989 was $38 million.

Mr. HEFNER. How much?

Dr. MENDEZ. Thirty-eight million dollars.

Mr. HEFNER. And you collected how much?

Dr. MENDEZ. Seventeen point two million, sir.

Mr. HEFNER. But that is a pretty big piece of change, a windfall for some insurance companies. Collection is something we need to be a little more aggressive with. Surely you have legal people that could pursue that. If it were a 60 or 70 percent rate maybe, but 45 percent, you couldn't classify that as a successful program.

I guess you could classify it as a successful program if you weren't collecting anything, but still, a 45 percent collection rate on what you deem to be legal payments from the insurance companies—do you have any plans to pursue it?

Dr. MENDEZ. Yes sir, we will pursue it with our legal people.

Mr. HEFNER. Would you keep us posted on what you are doing?

Dr. MENDEZ. I certainly will.

[The information follows:]

The Third Party Collection/Coordination of Benefits (TPC/COB) program authorizes DoD to collect from third party payers the inpatient hospital costs incurred by retirees and dependents who have private health insurance. Total collection activity to date (i.e. FY 1987 through fourth quarter FY 1989) is $92.6 million billed and $40.3 million (43.5%) collected. After adjusting for the unbillable items, the collection activity is $77.7 million billed and $40.3 million collected (51.8%).

Recent initiatives have been directed toward pursuing the TPC/COB collections more aggressively. Congress has provided additional incentive to pursue collections by directing in the FY 1990 Defense Authorization Act that effective October 1, 1989, amounts collected from third party payers shall be credited to the appropriation supporting the local hospital. In addition, the Appropriations Committees provided the Department with a $10 million add-on in FY 1990 to improve collection procedures. My office sent a policy memorandum to the Services in January of 1990 informing them that collections are to be credited to the local hospital's Operation and Maintenance appropriation and that collections should be pursued more aggressively. An internal DoD review of the TPC/COB program recommended aggressive legal follow-up action on all unpaid bills. We hope that these actions will all contribute to improve collections rates on the billings sent to third party payers.

PSYCHOLOGISTS PRESCRIBING MEDICATION

Mr. HEFNER. I would like to ask about the psychologists prescribing medication. There is a great concern within the community of psychiatrists about the Congressional direction for the establishment of a training program for psychologists and this program was directed to train psychologists how to prescribe medications for certain mental illnesses. The Congress took an interest in this program in an effort to increase the number of military professionals available to treat mental illness, since there is a shortage of psychiatrists in the military. What is the status of this program?

Dr. MENDEZ. The executive agent for that program is the Surgeon General's Office of the Army. The last information I have is

that they have had one meeting recently of a panel which had inputs both from the Services and consultative input from outside the Services to see what form that program should take, if any. I expect the results of that meeting to come to my office presently.

Mr. HEFNER. You say people outside the Services, would that be people representing psychiatrists?

Dr. MENDEZ. Yes sir. I understand there were people representing psychiatry and psychology.

Mr. HEFNER. They weren't particularly in favor of this?

Dr. MENDEZ. I don't have the results of that meeting. I did not participate in it.

Mr. HEFNER. Overall psychiatrists would not be in favor of this program?

Dr. MENDEZ. I understand that.

Mr. HEFNER. Psychologists would, yet we have a shortage of psychiatrists in our facilities?

Dr. MENDEZ. I don't have the number but I can provide that.

[The information follows:]

The following are authorization and inventory data for active duty military Psychiatrists:

	1988		1989	
	Authorized	Inventory	Authorized	Inventory
Army	218	175	218	164
Navy	111	86	115	93
Air Force	141	99	141	112
Total	470	360	474	369

Mr. HEFNER. Thank you, Mr. Chairman.

Mr. MURTHA. Mr. Livingston.

CHAMPUS REFORM INITIATIVE

Mr. LIVINGSTON. Thank you, Mr. Chairman.

Doctor, welcome.

Dr. MENDEZ. Thank you, Mr. Livingston.

Mr. LIVINGSTON. I am sure that by now you probably know that there has been an ongoing project at the same time to renovate CHAMPUS with some experiments that started off small and then got big and then went back and got small again, and in early January, your office decided to exercise the option on the CHAMPUS Reform Initiative and extend the project to February 1991 for the States of California and Hawaii. For the last two years the contract has been ongoing with six month extensions. The decision for an only year extension was based on a belief that the recently completed Rand report on CRI costs showed that the program was working well.

In the process, after the last five years, maybe six or seven, we have been involved in trying to come up with demonstration projects to show on a smaller scale what the large national plan is trying to accomplish.

I think one of the biggest problems in implementing these projects is to enable the private industry to understand the risks at

hand, coordinate them with a policy where industry does not get devastated and go bankrupt. Thus far the projects have been so big that many insurance companies have been reluctant to bid on them.

NEW ORLEANS DEMONSTRATION PROJECT

Even in a demonstration project visualized a few years ago for the City of New Orleans, we actually put it out for bid and, even though there was a great deal of interest initially, very few companies bid on it, and because of problems that evolved from that procedure, it was decided to do it again, and I understand that the department held an industry bidder's conference last week in New Orleans.

I was curious to see how many different industry organizations were in attendance? I understand there is a lot of interest, but can you give me some idea what the prospects are for the future so that maybe we can develop some of those alternatives?

Dr. MENDEZ. I can't tell you the exact number of organizations that were there. I understand that the meeting was well attended and that it was indeed a significant number. I understand now, after the meeting, we will go on the street with a Request For a Proposal (RFP) and that the expectation is that that will happen within the next 45 days. It is then the expectation after the responses to the RFP are evaluated, that the contract will probably be awarded in about the month of September of this year, sir.

Mr. LIVINGSTON. So the final RFP and competition would be completed by then?

Dr. MENDEZ. By May, responses to the RFP would be due in.

Mr. LIVINGSTON. So you would expect to award a contract hopefully by September?

Dr. MENDEZ. Yes sir.

Mr. LIVINGSTON. That is great. I hope it all works out. It has been very difficult, but I have a lot of constituents, as we all do, who depend on the CHAMPUS program, and obviously, they can cite the areas or need for improvement, and I am convinced that we are on the right track. The question is, how to implement it, and I certainly wish you well in doing just that.

I yield back and I would like to submit a couple of questions for the record.

Mr. MURTHA. Without objection.

[CLERK'S NOTE.—Questions submitted by Mr. Livingston and the answers thereto follow:]

Question. Mr. Secretary, what is the status of your Department's efforts to implement a CHAMPUS demonstration project in the New Orleans area? Are you committed to moving ahead with some type of managed care demonstration project in this area?

Answer. The Department is committed to conduct and evaluate a managed health care program in the New Orleans area. The Department seeks through this demonstration a way to contain costs and improve beneficiary satisfaction with CHAMPUS in a non-catchment area. A draft RFP has been submitted earlier this year

and suggests broad competition for the program. An RFP to be released shortly seeks a managed care program similar to those offered other major employers in the area. Contract award is anticipated in the fall, 1990 with services to begin early in 1991.

CHIROPRACTIC CARE DEMONSTRATION

Question. Last year, Secretary Mayer presented testimony that the Department would conduct a 2 year Chiropractic Care Demonstration project in the states of Colorado and Washington beginning in July, 1989. Has this demonstration begun? If so, when? If not, why not? Provide details on its status. An interim report on this demonstration project was due by March 1, 1990. Has this report been completed? If so, summarize its findings for the record. If not, what is its status?

Answer. The chiropractic care demonstration project began on 1 April 1990 in Colorado and Washington. It is a 33 month project which includes on an outpatient basis spinal manipulation and required diagnosis radiographs. The project is meant to test the efficiency and effectiveness of chiropractic care as an alternative to traditional medicine for certain conditions. An interim evaluation will be provided after the demonstration has operated for a year with a final evaluation to be provided Congress on March 30, 1992.

[CLERK'S NOTE.—End of questions submitted by Mr. Livingston.]

CHAMPUS EFFICIENCIES

Mr. MURTHA. Mr. Secretary, a couple of years ago, we gave authority to the Services to take $50 million from CHAMPUS funds and use them to increase the efficiency in the Military Services. Are you aware of that?

Dr. MENDEZ. Yes.

Mr. MURTHA. Very little of that money has been used.

Dr. MENDEZ. I am aware that not all of it has been used.

Mr. MURTHA. We show no savings yet. It seems simple to me that it costs so much more when using CHAMPUS if you shift this around, it could be a big advantage in how you do it.

Dr. MENDEZ. There are several projects ongoing already, particularly in the Air Force and the Army, but you are right, the totality of the monies has not been used.

Mr. MURTHA. Mr. Sabo.

AIDS IVD TECHNOLOGY

Mr. SABO. Thank you Mr. Chairman.

Welcome, Mr. Secretary.

I noticed recently a government report which indicated that by the end of the decade AIDS health care could be costing DOD and the Veterans Department $3 billion. In 1988 the Congress proposed $9 million for an educational program for AIDS using the IVD technology.

Mr. MURTHA. Would you repeat that?

Mr. SABO. The government recently reported by the end of the decade AIDS treatment could be costing Department of Defense and the VA $3 billion annually in the next ten years. In 1988, we proposed $9 million for a relatively small program for AIDS educa-

tion. Actually, we concurred with the Senate in conference for a program to explore using Interactive Video Disc technology. I have never seen such a runaround in all my life with the Department of Defense's implementation of that program. They have not done what the Congress intended.

Last year in our report, we noted that the Department of Defense was embarking on a new program not envisioned by the conferees. It is cumbersome, expensive and layered with bureaucracy. The conferees were concerned about this and directed the Department of Defense to use off the shelf IVD technology as an educational device for young men and women in the military. We noted our belief that it could be accomplished within six months.

We followed that with a letter to the Department of Defense, emphasizing the need for a report by May 1st and noted that we intended to ask for a report at this hearing. The acting Assistant Secretary For Health Affairs at that point responded that your office had transferred all this money to the Uniformed Services University and therefore it was beyond your control. However, he asked them for a report within 30 days. That report has not been received.

I guess I am just curious what happened to this $9 million. Has the Department of Defense done anything to improve the quality of AIDS education for the enlistee, and what is the current status of this program?

Dr. MENDEZ. All right, sir. Specifically, yes, Department of Defense has been involved in the matter of AIDS education.

Regarding your interest in the $9 million, Mr. Sabo, I believe that your understanding is correct. When I looked at this, the monies were indeed lateralized to the Uniformed Services University. I understand that an interactive video disc was the major question in terms of utilization for the program. I have personally sent a letter recently to the Uniformed Services University to get an update so that I could indeed send that reply to you. I do not have that as yet, sir.

Mr. SABO. You know, we had in mind something relatively simple, an off the shelf technology, and all of a sudden the money appears to be being used for designing a new program and buying equipment. Apparently there is no control over the money after it has been transferred, and I am just curious if what we had to say in the conference report last year is going to be followed?

Dr. MENDEZ. I will make sure that you get information about that myself, sir.

[The information follows:]

My understanding is that the Uniformed Services University of the Health Sciences conducted a thorough review of "off the shelf" programs and found none that was acceptable. Full details on this information will be provided in the report due to Congress in June.

Mr. SABO. We have been flooded with information over the last two years on how DoD always wants to get around what the Congress intended. If they want money for whatever they are doing, fine. They should ask for it. I think it is a mild understatement to say that the money was added by congressional initiative. DoD has had very little desire to take the technology and make it available to the servicemen, as we intended.

Sometimes I wonder if we misunderstood the need for this program? But then I read this report and projected future impact on health care costs in the Department of Defense and I have to conclude that what Congress did in 1988 made lots of sense. We simply can't get the Department of Defense to respond in the fashion Congress intended.

Mr. MURTHA. Let me add, Mr. Secretary, we tried last year to do all these things without putting them in the law. We tried to put them in a report and hoped we would obtain cooperation. I told Secretary Cheney we are going to try to have as few general provisions as possible.

There is no question what we say here, take off the shelf technology and use it in order to get the information out. You don't need to develop a new system which costs several million dollars to develop, and may not work as well. Try it. I believe that—every time we say take off the shelf technology, it seems like we run into a road block. But we want to avoid putting this into law if we can.

I would hope that you would get on top of this thing, because it may prevent the type of problems we are running into in other areas for the future. Maybe one of your biggest contributions can be reducing the problem of AIDS in the military.

Mr. SABO. Thank you, Mr. Chairman.

I look forward to a report rather quickly.

Dr. MENDEZ. Thank you, Mr. Sabo.

[The report follows:]

REPORT ON
AIDS/INTERACTIVE VIDEODISC TECHNOLOGY

As requested by the Assistant Secretary of Defense (Health Affairs), the Uniformed Services University of the Health Sciences (USUHS) is providing the report on AIDS/Interactive Videodisc Technology directed by the FY90 Appropriations Conference Report. This is a status report on the steps taken to fulfill the Congressional directive for the Department of Defense to use interactive videodisc (IVD) technology to educate military personnel on the dangers of acquired immune deficiency syndrome (AIDS).

The $9 million funded in the DoD 1988 Appropriations Bill for procurement of AIDS/Interactive Videodisc educational materials was transferred to USUHS in August 1988. USUHS agreed to manage all facets of the IVD production and procurement. USUHS was deemed the optimal site because its mission is education. It has expertise in adult and pediatric AIDS, medical psychology, and a unit which develops IVD training materials. This unit received national awards for best medical IVD in 1987 and again this year. In September 1988, an Oversight Committee, composed of representatives from each of the services, was established and a contract was awarded to the Henry M. Jackson Foundation for the Advancement of Military Medicine (HJF), a nonprofit foundation. The HJF serves as the agent for management of the funds under the close supervision of the University and Oversight Committee.

The Oversight Committee established a goal for the expeditious procurement and/or development of quality AIDS educational training for military service members using IVD technology. Initially, the committee conducted an analysis of the HIV/AIDS training needs, target audiences, IVD platforms, and commercially available AIDS IVD educational materials. An informal survey of the literature and work performed by other DoD committees determined there were no existing IVD programs which met the Congressional intent. A Request for Information (RFI) was issued in the COMMERCE BUSINESS DAILY on January 9, 1989.

Nine companies responded to the RFI. Two companies, Health EduTech, Inc. of Minneapolis, Minnesota and Professional Training Systems, Inc. of Atlanta, Georgia, had IVD programs. The other companies responded with offers of support for development of the requested IVD program. After reviewing the RFI responses, the Oversight Committee requested evaluation copies of the two IVD programs. Using a modification of NIH R01 grant review procedures, four independent panels reviewed the programs. Anonymity of vendor and reviewers was maintained throughout the process.

Both Health EduTech and Professional Training Systems, Inc. IVD products were rejected. AIDS information was inaccurate, the educational design was substandard, and the programs had no military relevance. Hispanic, Black and Asian ethnic groups were not included in the programs. Visual information presented allowed one to draw incorrect conclusions about the transmission and prevention of AIDS. Most importantly, the products

did not provide any motivation for behavior modification. Modification of these products for use by DoD required a complete rewrite of the script, refilming, and reprogramming; in other words, development of an entirely different program. The cost in time and dollars to modify these programs was the same as that for developing a new program.

The AIDS educational needs of DoD are very broad. Target audiences identified by the services include STD Clinic Patients, All Military Personnel, Supervisory Personnel, Health Care Workers, and Active Duty Military Women. To adequately educate these different audiences several IVD products are needed. To minimize development time, cost and maintain quality, the Oversight Committee directed simultaneous product development and subcontracting of video production to commercial firms. Development time (normally 18 to 24 months) will be shortened by 6 to 9 months. As a result, a demonstration product will be available by late July 1990.

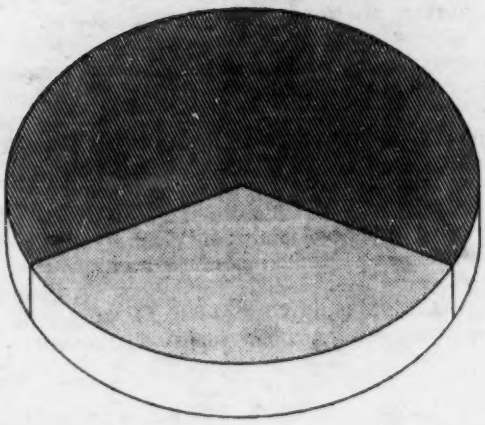
Since the University and the Jackson Foundation lack sufficient resources to develop all necessary scripts and software within a desirable time, Requests for Proposal (RFP) for two IVD programs have been sent to commercial developers, including the two companies who responded to the previous RFI. An award of contract for development and delivery of an IVD program for Education of Supervisory Personnel by January 1, 1991 was made in February 1990. Vendor responses to the second RFI, to develop an IVD program for use by Health Care Workers, are currently being evaluated.

Because this project requires additional IVD platforms (computers, videodisc players and touch screens) to permit maximum utilization and benefit, procurement action to obtain these IVD platforms has been initiated. To ensure compatibility with existing hardware, three different IVD platforms were specified. The Oversight Committee directed that the hardware be purchased in two different allotments. The first deliveries will be made to approximately 300 sites in late July 1990.

Funds expended to date in development of IVD programs for use by DoD members total $3,877,947. Sixty-five percent of the funds have been spent on hardware and thirty-five percent on IVD program development. The ultimate funding distribution between equipment and IVD programs is anticipated to be sixty percent for hardware and forty percent for IVD programs. Any remaining funds will be used to procure additional hardware.

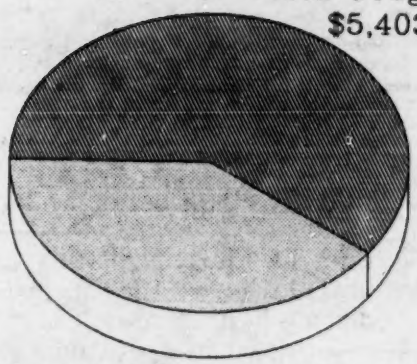
Our President and Dean, Dr. Jay P. Sanford, is responsible for the Infectious Diseases Consulting Service which includes AIDS at Walter Reed Army Medical Center and National Naval Medical Center for 2 1/2 months each year. He recognizes the need for quality AIDS educational materials and the importance of this project. All persons working on this project also share your concerns for the earliest possible delivery of accurate HIV/AIDS educational materials to the Services. The results of these efforts will provide our service men and women with the finest AIDS Interactive Videodisc educational materials at the lowest cost to the Federal Government.

HIV IVD Project Expenditures to May 1, 1990



Total Spent: $3,877,947

HIV IVD Project
Projected Distribution of Funds



Total funds available: $9,000,000

32-241 O—89——2

Mr. MURTHA. Mr. Miller.

BIOMEDICAL RESEARCH

Mr. MILLER. Thank you, Mr. Chairman.

Mr. Secretary, in your statement you tell of a $13 billion budget but you go on to state that the $13 billion funds much more than the day to day operations of the medical care system and that it includes funding for medically related programs such as medical construction and biomedical research.

Can you break that down for us as to what would be the cost for each program—biomedical research, for example?

Dr. MENDEZ. I can indeed provide a breakdown of the total budget for you, Mr. Miller, and bring it in for the record.

Mr. MILLER. I think we should have that breakdown of each.

[The information follows:]

The total cost of medical activities in the Department of Defense is approximately $13 billion. In addition to costs associated with the day-to-day operations of the direct care system and the CHAMPUS program (the $9 billion mentioned in my opening statement), the $13 billion includes about $2.5 billion of costs associated with examining activities, aerovac, occupational and environmental health, reserve forces, management headquarters, and information systems. In addition, $.8 billion is expended for medical training programs, $.3 billion for medically related research, and $.3 billion for medical military construction.

HOSPITAL SHIPS

Mr. MILLER. It would give us a better understanding of how the dollars are used.

A few years ago, maybe four or so, this committee authorized some funds for hospital ships. Are they in operation at the present time or can you shed some light as to how they may be used?

Dr. MENDEZ. There are two in operation, Mr. Miller. One is on the East Coast and one is on the West Coast.

Mr. MILLER. Are they being utilized in peacetime or just staying at the dock?

Dr. MENDEZ. They are at the dock, sir.

Mr. MILLER. Do we have plans to utilize those? It seems that we should be able to utilize those in peacetime as well as in wartime.

Dr. MENDEZ. I am not aware of any plans for peacetime utilization now.

Mr. MILLER. Wouldn't that be better, or what is your opinion on utilizing those instead of constructing another hospital in that area?

Dr. MENDEZ. I thought you meant in terms of actually using it as a ship.

Mr. MILLER. I have been informed that we have sent the ships to the Philippines.

Dr. MENDEZ. Yes sir. It is my understanding that one was sent to the Philippines. It is also my understanding that the utilization of the ship in peacetime is quite expensive and I know of no other peacetime projection for the utilization of the ships at this point.

Mr. MILLER. It just seems to me that we should have in the plans to be able to utilize those instead of constructing additional hospital beds, hospitals, and facilities necessary to take care of our people, and if you would, give the committee a little information as

to what they could be used for. It seems like dead weight in peacetime at least. It seems that if we do need them for wartime that we could find a way to utilize that investment in those ships in peacetime.

Dr. MENDEZ. Very well, sir.

[The information follows:]

The use of the hospital ships during peacetime is an idea that has been considered within the Department. Unfortunately, the cost and staff required to operate one of these 1,000 bed facilities on a full time basis are prohibitive. For example, the staff of the Headquarters U.S. Atlantic Fleet and the Chief of Naval Operations recently completed an analysis of the cost of operating a Navy hospital ship in support of a 30 day goodwill mission. The analysis assumes only one fourth of the ship's bed capability (250 of the 1,000 beds) would be used and the mission would still cost more than $10 million. The $10 million includes ship's operating expenses, medical supply costs, etc. The cost of the mission would increase in direct relation to its length. In addition to the personnel costs associated with manning such a mission, there would be other resource requirements to be considered. In order to operate the hospital ship as a 250-bed hospital, the normal staff would need to be augmented by an additional 55 Medical Corps personnel, 170 more from the Nurse Corps, 6 from the Dental Corps, 17 from the Medical Service Corps, 17 Dental Technicians, and 553 Medical Corpsmen. The augmentation of the hospital ship staff would come at the expense of personnel at stateside military treatment facilities—many of which are already suffering from staffing shortages. Access to healthcare services in our facilities would be thereby reduced causing our beneficiaries to seek care through CHAMPUS, a costly alternative to the direct care system.

MEDICAL IMPACTS WITH TROOP WITHDRAWALS/REDUCTIONS

Mr. MILLER. We understand that we are going to have about 75,000 troops coming home eventually from Europe, and we probably will have additional troops coming home from Japan and Korea, as we understand the world affairs today. How will this affect the medical service in those areas? You apparently will not have to furnish as many physicians, and again, hospitals, in those areas. Is that considered in the budget that we are considering today, the 1991 budget?

Dr. MENDEZ. I don't believe that has been considered as yet. The situation is very fluid and the number of physicians needed in the area would indeed, if it were overseas, decrease in terms of the support base.

I do not know, however, if it would decrease in the whole system if these people were lateralized elsewhere within the system. If I may, sir, it is also important, Mr. Miller, to realize that even if we have a decrement in the number of Active Duty people that we are caring for, we will continue to have a requirement for health care in terms of the rest of the other beneficiaries within the system, maybe in a different place.

Mr. MILLER. While we are talking about that particular thing, we have a number of facilities under construction, I understand, in foreign nations, and if we do not have the amount of personnel there under the President's planning at least at the present time, do you plan through military construction—and I understand that this committee would not have the direct responsibility for constructing those facilities, but are there plans to construct additional hospital facilities or military facilities overseas?

Dr. MENDEZ. There are plans, sir, in different areas. In those areas, however, we are revisiting the whole issue of construction based on whether there will be stationing differences, and of

course, we would not project to continue construction projects in those areas where there would not be the need to do so.

Mr. MILLER. But those are in the plans and requested in the 1991 budget, and could be short circuited, and not let out for contract until we find out how many troops will be in Europe, as an example?

Dr. MENDEZ. Yes sir.

Mr. MILLER. Thank you.

Thank you, Mr. Chairman.

Mr. MURTHA. Mr. Dicks.

SPECIAL MEDICAL WAGE RATES FOR CIVILIANS

Mr. DICKS. The best and least cost method of hiring nurses and support staff is to get these people to join the military. However, this is becoming more difficult and the military has become reliant on a dedicated civilian nursing staff. In certain areas of the country, it is difficult for the military hospitals to hire civilian nurses and support staff because the pay in the local area is so much greater than can be offered under civil service wage rates.

This committee has tried to be of assistance to you by pushing for special civil service wage rates for nurses and other health care professionals, but we have met with resistance from the congressional committees which oversee the Office of Personnel Management. However, OPM has heard our concerns and is trying to assist the Department of Defense in developing a way to speed up the process by which they approve waivers to pay regulations.

Are you aware of these problems and OPM's plans to increase their efforts in this area?

Dr. MENDEZ. Yes sir, I am aware of them. As a matter of fact, I have indeed had correspondence with FM&P, with regard to two aspects. First, of course, is the wage itself, and the necessity for the wage itself and the increases, the necessity to look at the wages other parts of the Federal government pay, such as the VA.

And second, the process must be examined. The people in manpower and personnel are right now involved in both of these issues, and, are doing the test evaluations of it.

Mr. DICKS. Do you believe that ultimately what you need is the same authority as was legislatively given to the Administrator of the Veterans Administration?

Dr. MENDEZ. Yes sir. I believe that otherwise without that type of authority, we may not be competitive with other Federal groups in hiring of personnel, like nursing personnel.

Mr. DICKS. How does this authority differ from what you have at this time?

Dr. MENDEZ. Well, it simply creates a wage differential between one part of the Federal government and the other.

Mr. DICKS. As I understand it, we have a problem out at Madigan Army Hospital, where you have a VA hospital five miles away. They are able to pay the differential. We are able to do it for the registered nurses but not for the licensed practical nurses. In order to get this, you have to go to OMB and OPM?

Dr. MENDEZ. Yes sir. We are going to our manpower and personnel people specifically, addressing those points.

Mr. DICKS. When are you going to get results?

Dr. MENDEZ. I don't have that timing as yet, Mr. Dicks.

Mr. DICKS. It took a year and a half on the RNs. That doesn't sound like we are making much progress, Doctor. Have you met with them yourself?

Dr. MENDEZ. I have corresponded with them.

Mr. DICKS. It is one thing to write them a letter, it is another thing to have a meeting with them and explain the problem. Why don't you do that?

Dr. MENDEZ. Thank you, Mr. Dicks.

Mr. DICKS. Are you going to do it?

Dr. MENDEZ. Yes sir.

CHAMPUS REFORM INITIATIVE

Mr. DICKS. Sometimes when you sit across the table from somebody you understand the problem better. If you just sent a letter, it doesn't sound like you are very concerned to me.

Doctor, as you are well aware, there has been a great deal of concern expressed during the past year about the financial viability of the CHAMPUS Reform Initiative contractor, Foundation Health Corporation. There have even been instances where Foundation was in noncompliance with financial aspects of the contract. At a time when Department of Defense had to make a critical decision about exercising the option on this contract, the financal backer of Foundation, Merrill Lynch, provided a loan to keep the company up and running.

There has been some talk that maybe Merrill Lynch is considering withdrawing their support. What is the future of the relationship between Foundation Health Corporation and Merrill Lynch?

Dr. MENDEZ. I can't speak to the relationship between Merrill Lynch and the Foundation, sir. I don't know.

Mr. MURTHA. Let me tell you, this is one of our most important programs and it has moved that agency into 29th in defense contractors. That is how big it is. You should know something about this. This is big and if there is any possibility of this outfit falling apart, we ought to know about it very quickly.

Dr. MENDEZ. In terms of the financial structure of the Foundation Health Corporation itself, it is my understanding that it has improved considerably from last year, and that there is an increase in operating income, increases in cash on hand, and increases in the commercial membership and so on.

What I cannot address, because I don't know the answer, is the relationship between Foundation and Merrill Lynch. I will try to supply that.

[The information follows:]

Merrill Lynch is an active and major participant in Foundation Health Corporation. They own 44 percent of the company and have invested $55 million. Two of their senior officers serve on the FHC Board of Directors.

There is every reason to believe Merrill Lynch will continue to be actively involved, and are satisified with their investment.

Mr. DICKS. Have we exercised the option on this contract?

Dr. MENDEZ. We have, sir, for the continuity in the same area, for one year. We have continued the contract for this year, yes sir.

That was exercised prior to my coming to the Department in December.

Mr. DICKS. I am not blaming this on you, but don't you think somebody should look at their financial situation before they extend the option?

Dr. MENDEZ. Indeed. They did and that was done.

Mr. DICKS. Tell me what the Foundation Health Corporation does. What is their responsibility?

Dr. MENDEZ. They have the responsibility for administering a contract of managed care. A managed care contract is different from just a processing of claims. They specifically have to deal with utilization management, the beneficiary services, the provision of a network of management in terms of the providers that are being utilized, and the piece of quality assurance associated with it.

IMPACT OF REPROGRAMMING DENIAL

Mr. DICKS. What if this reprogramming of personnel doesn't go through? Are you going to have to take some people out of the medical area?

Dr. MENDEZ. Let me understand the question.

Mr. DICKS. There is a reprogramming that has been requested by the Administration. If it doesn't happen there is going to be a personnel reduction across the board, because of sequestration. Will that affect——

Dr. MENDEZ. I don't expect it to, Mr. Dicks, no.

Mr. DICKS. Will they be exempted?

Dr. MENDEZ. Yes sir, I believe so; to the extent possible.

Mr. DICKS. How can you exempt them if the President didn't ask for the exemption on personnel, if you have sequestration. We certainly want you to protect medical personnel if you could. As I understand it, we have a general provision in the bill that urges you not to cut medical personnel.

Dr. MENDEZ. That is right, sir.

Mr. DICKS. What I was trying to find out is if this reprogramming that the President has sent up, but which has not been favorably received——

Dr. MENDEZ. Even recently we have had medical exemptions, for instance, in the recent hiring freeze.

Mr. DICKS. So you think you are going to be okay?

Dr. MENDEZ. Yes sir.

CONSTITUENTS COMPLAINTS

Mr. DICKS. I received complaints from constituents on two issues involving defense medical programs. One is termination of coverage for retirees and preventive services such as mammography. As a result, we often face higher charges under CHAMPUS, especially if this results in delayed diagnosis.

The second complaint involves the revised process for refilling prescriptions requiring packaging and labeling changes that result in long lines and added staff time. Can you comment on these problems?

Dr. MENDEZ. CHAMPUS does not cover routine preventive services. There may be a facility—if indeed individuals are going to a

facility where there may not be enough capacity to be able to meet all demands for care. I would be happy to look at the facility specifically, if you would like, sir.

Mr. DICKS. What about the prescriptions? The second complaint involves a revised process for refilling prescriptions, which requires packaging changes resulting in long lines and added staff time.

Dr. MENDEZ. I believe that does happen. One of the things we are doing specifically is improving the sequence of the prescription filling process so that that does not happen. But there are places that have long lines and what we are trying to do is to have the type of programming so that we prevent this from happening.

MADIGAN MEDICAL CENTER

Mr. DICKS. In my district we have the Madigan Medical Center. I have written to your office about this in the past on the question of staffing. What is your ultimate objective and how confident are you that you will be able to achieve it in the current budget environment in terms of staffing at Madigan Medical Center?

Dr. MENDEZ. I will provide that for the record.

Mr. DICKS. We have a new Army hospital there. The previous hospital was understaffed. We had a lot of malpractice suits. We got the staffing up to a pretty responsible level, and I notice the malpractice suits have dropped dramatically. Hopefully somebody there will notice that, because I think the staffing issue is pretty much directly related to liability.

Now we are going to get the new Army hospital in place and we are worried that it takes some time to plan so we have adequate staff for the new facility. If you could have somebody get that for the record, and if it could be provided to me directly, I would appreciate it.

Dr. MENDEZ. We will do that.

[The information follows:]

Madigan Army Medical Center (MAMC) has been on a continuum of improvement for staffing since 1988 and the staffing ratio has increased from 75 perecent to 80 percent of authorizations to requirements. Additionally, MAMC has been significantly supplemented with a large contract for additional nursing staff. MAMC will be provided with an additional 20 man-year resources resulting from the FY 1990 Congressional increase of $20 million for ancillary support staffing. The Army's objectives are to continue improving staffing to minimize the problems associated with staff shortages and within manpower and fiscal constraints, improve access to quality health care services and reduce CHAMPUS expenditures. The authorized to requirement ratio of 80 percent is standard staffing for our medical centers. The ratio of assigned to authorized is currently at 100 percent which compares favorably with the overall medcen average of 101 percent. Further we are committed to providing full staffing for all requirements by utilizing an optimum mix of military, direct hire, and contract services personnel. In anticipation of opening a new facility at MAMC, the Army has programmed an additional 65 nursing authorizations in FY 1992. Furthermore, as a result of base realignments and closures, the Army has programmed the transfer of approximately 560 spaces to improve staffing and support expanded graduate medical education programs. Approximately 440 of these spaces will be provided by the end of FY 1992. Our confidence in achieving these manpower staffing goals and programs is strong but the rapidly changing defense environment and the new size of the Army may have an influence on all Army medical manpower profiles.

Mr. DICKS. Thank you.

IMPACT OF REPROGRAMMING DENIAL

Mr. MURTHA. I am confused at what we said concerning the reprogramming letter we sent to Secretary Cheney. Can you explain what will happen if you don't have the reprogramming? Do you see any impact?

Dr. MENDEZ. Let me, if I may, check that with the Comptroller and get you a specific answer.

[The information follows:]

The effect of not getting the CHAMPUS reprogramming would be devastating. All three Services would run out of CHAMPUS resources—the Navy in May and the Army and Air Force in June. There would be no resources to pay CHAMPUS claims for the remainder of fiscal year 1990.

Mr. MURTHA. Mr. Young.

NATIONAL BONE MARROW DONOR PROGRAM

Mr. YOUNG. Thank you, Mr. Chairman.

Doctor, much of my time in the last four years has been spent with a program called the National Marrow Donor Program, where bone marrow is donated from a donor to a person with leukemia or blood disease. It is such a successful program and works so well from the medical standpoint. The problem being that it is extremely difficult to get a donor because of the precise matching required.

I have projects to develop additional donors, people willing to be typed and have their name placed into the registry. I find that everyone who hears about the program wants to be a part of it in one way or another. One of the difficulties in this registry is that most of the people in the registry are white. We have a lot of black patients with terminal leukemia and blood diseases that need a donor and will be more likely to find a donor from a black donor than a white donor. Hispanics have a particular problem in that a Mexican, will more likely find a donor from another Mexican than from a Puerto Rican or Spanish person, a Jewish person—you understand what I am saying?

Dr. MENDEZ. Yes sir.

Mr. YOUNG. I have asked the President to consider promoting this program through the military and I am wondering, inasmuch as the Navy really was the first agency to function and operate this registry in the first place, what would be your reaction to a request to have the military folks advised of the program, asked if they would be willing to be part of the program, and asked that their names go into the registry with you doing the typing?

Dr. MENDEZ. Two things I would like to address. First, it is my understanding that originally the Navy had both funds and evaluation to that effect and that it was transferred over to the Department of Health and Human Services. However, as you speak, two things come to mind in terms of possibilities.

We do have a registry of eligibles which we call the Defense Enrollment Eligibility Reporting System, or (DEERS) system in which

we know what people we have and their eligibility for health care. We have some experience in terms of registries. For instance, the Automated Central Tumor Registry with which we have had certain experiences.

We have had experiences at the Armed Forces Institute of Pathology in terms of other types. So I think the information learned through the program could support the program. Information learned from that as well as possible utilization of that registry could lend support to a program of bone marrow transplantation.

Mr. YOUNG. Will you support this effort? This committee was very responsive in working with the Navy to get it started in the first place, and we appreciate them so very much, because at that time the Department of Health and Human Services didn't want to be bothered with it. They weren't sure that it was anything more than experimental. But we know it saves lives that in effect were terminal.

The Navy deserves a lot of credit and this committee also deserves a lot of credit——

Mr. MURTHA. This committee got involved because of your interest, Mr. Young. It is your effort that has been instrumental in getting this program underway.

Mr. YOUNG. Mr. Chairman, thank you for that.

You only have to be exposed to one or two cases to see how important it is.

I have a number of specific questions and I will submit them to you in writing.

That registry the 85,000 names in it today. I am trying to get that registry up to 350,000 names so that you won't have the young black girl in Washington three weeks ago who died because we couldn't get a donor for her. The board met in my district this weekend and we had an active pilot program there. It developed a lot of interest not only from people wanting to be in the registry, but from industry wanting to pay the cost of the typing.

We need all the help we can get and we are building a case to get a little extra funding, for those who are typed at Bethesda, for instance, where one of the laboratories is located. Maybe we can provide some funding for typing.

Dr. MENDEZ. Is the problem in typing or building up the base?

Mr. YOUNG. I have had thousands of responses from a mailing that I did in my district from people willing to be typed. The problem is the cost for the individual typing is $75 and a lot of folks feel they can't afford to pay that. We have recruited a number of industries in our area who are willing to pay for their employees who want to be typed.

There are a lot that are willing to be typed but can't afford the $75. I am going to talk to the NIH folks later this afternoon about the same thing. If we added $6 million to the Navy budget they could do an awful lot of typing and it is not a big, expensive program, but it is working and saving lives.

At the meeting with the National Board, were people from all over the country, including Washington State, and Pennsylvania. We had three young folks from the Tampa Bay area who are waiting for a donor and we can't find one. We are going to, but there are two young girls, one 7 and one 3, and a young black man 18

years of age. We can't find a donor for them, and we have to hurry before it gets to be too late and the transplant won't work.

Dr. MENDEZ. I will look into that for you and evaluate what capacity exists that would be helpful.

Mr. YOUNG. I will give you the letters today and if you would respond, that will help the program.

Thank you.

[The information follows:]

While we may not be able to help the young people you refer to who are in immediate need of donors, I fully support the increased participation of our personnel in organ and tissue donation programs. Historically, the Armed Forces have supported a variety of local community actions. For example, within DoD facilities, we collect 200,000 units of blood for our Medical Treatment Facilities and 500,000 units are collected by civilian blood programs out of the total 13,000,000 units donated annually in the United States. I believe our personnel would respond similarly to a request for participations in bone marrow registry.

Mr. MURTHA. Any other questions?

Thank you very much, Mr. Secretary.

The committee will adjourn until 1:30 p.m. this afternoon.

[CLERK'S NOTE.—Questions submitted by Mr. Young and the answers thereto follow:]

Question. Dr. Mendez, you have the difficult job of overseeing a medical program that provides care for more than 9 million active and retired military personnel and their dependents here and abroad. I want to compliment you on the job you do and also, despite these large responsibilities in providing day-to-day health care, in the role the Department of Defense medical team plays in advancing medical research.

In particular, I want to commend the Department for the leading role it has played in the establishment of the National Bone Marrow Donor Registry, a program that saves lives every day. As you know Dr. Mendez, when we first tried to sell the idea of this type of a national registry to the National Institutes of Health, officials there scoffed saying it was too experimental. The Department of Defense, and in particular the Navy, however enthusiastically followed the lead of this Committee, which provided initial funding for the program, and within two years made operational a national program to match unrelated bone marrow donors with patients in need of a transplant. For these patients, the program has offered the living gift of life.

Since the first match and transplant was completed in December 1987, the national registry has successfully matched more than 300 donors with patients in need of a transplant with a survival rate of more than 70 percent. The program works, it is saving lives, and the only limitation now is our ability to find matched donors for every patient in need of a transplant. As you know, the chances of finding an unrelated donor are about 1 in 20,000. Right now, we have more than 90,000 volunteers who already have had their blood typed and are listed in the registry. Our goal is a registry listing 250,000 volunteers nationwide and 1 million worldwide. In addition to adding volunteers to the registry, we also want to ensure that there is broad ethnic representation. Research has

shown that genetics plays a large role in a successful transplant. This research also shows that good matches most often occur when the donor and recipients have the same racial background. Black donors best match black patients. The same holds, for example, for Eastern European, Asian, or Indian matches. Hispanic matches, however, tend to be more difficult to find for two reasons. First, a good match requires very precise genetic and tissue typing, so precise that Cuban-Americans tend to match Cuban-Americans, Latins tend to best match Latins, Spanish donors best match Spanish patients, and Mexican donors best match Mexicans. Unfortunately, less than 1 percent of the volunteers list in the national registry (1,136) are Hispanic.

To help reach our goal of a large and ethically diverse donor pool, I kicked off a pilot project in my congressional district last week to recruit donors through a public/private partnership that would raise funds to pay the $75 per person typing fee. With the success we have enjoyed with this project, we plan to take our program nationwide in the next few weeks and encourage similar programs in each of the 435 congressional districts.

In this regard, I wrote President Bush last month urging him as Commander and Chief to include the Department of Defense in our project by typing military and civilian personnel and their spouses. As you are well aware, the Department of the Navy maintains one of the foremost transplant and HLA typing facilities and programs in the world. Later today, when the Surgeon General of the Navy comes before our Committee I want to pursue in greater detail with him how we can best utilize these facilities and the expertise of the Navy, which deserves a large share of the credit for the early and dramatic success of our program.

Dr. Mendez, as you know, this is strictly a volunteer program. What we are doing in my congressional district is encouraging local businesses to make their employees aware of the national registry and where possible, asking them to pick up the cost of typing their employees. As our nation's largest employer, do you see a similar role for the Department of Defense where your medical personnel can coordinate a program with the National Marrow Donor Program, in conjunction with base commanders, to familiarize DOD personnel and their dependents about the program and its life-saving potential?

Answer. Within the Naval Medical Research and Development Command, we have superbly competent scientists who could accomplish this mission for the Department and participate in the National Program as well. The Navy estimates that, after initial start up, it would be able to maintain a pool of 50,000 donors for approximately $8,000,000 per year. I must point out, however, that for military personnel, issues such as availability for additional work up and transplantation would have to be sensitive to the contingency requirements of the Department's primary mission.

We will also provide information about the Bone Marrow Registry along with other health education efforts such as health risk reduction and organ donation programs. This information could be publicized in many places such as waiting rooms and base newsletters, and would be most effective if coordinated with and supported by National non-profit organizations. We would need to assess such

a program, however, for any impact it might have on our ability to obtain contingency supplies of frozen blood, hyperimmune serum for protecting against vaccination, and other blood components required by our forces.

Question. Dr. Mendez, what do you believe the reaction of DoD personnel would be to this program, especially if the Department of Defense covered the typing fees?

Answer. Historically, Department of Defense personnel have responded with extraordinary enthusiasm to volunteer programs, whether for the Combined Federal Campaign or Whole Blood Donations. Within DoD facilities, we collect 200,000 units of blood for our Medical Treatment Facilities and 500,000 are collected by civilian blood programs out of the total 13,000,000 units donated annually in the United States. I believe our personnel would respond similarly to this request.

COMPOSITE HEALTH CARE SYSTEM (CHCS)

Question. Dr. Mendez, you are currently operating Composite Health Care Systems (CHCS) in 10 hospitals. These Systems provide integrated information systems for DoD hospitals in order to improve access to care and reduce rising operating costs.

What benefits does CHCS provide in assisting the Department in implementing cost reductions in the health care budget?

Answer. The Composite Health Care System (CHCS) provides two major benefits: productivity enhancements, which allow greater in-house workload; and accuracy of communications. Through increased productivity the Department should be able to return a significant amount of CHAMPUS workload to military medical treatment facilities. CHCS has significant potential to aid the Department in achieving cost reductions in the areas of inventory carrying cost, risk management and increased collection of medical claims under the Medical Claims Recovery Act.

Question. There are some proposals for FY 1992 which would revert funding for CHCS to the Military Services health care appropriations account from the current central funding with the Defense Medical Systems Support Center. What program challenges does this present? What are the ramifications of this proposal for future CHCS deployments and DoD cost reduction initiatives?

Answer. Decentralization of CHCS funding exposes those funds to the risk of non-medical usage at a time when the cost benefit analysis of CHCS is still being analyzed and considered. If the Services do not allocate sufficient funds to support previously planned deployment rates, DoD will not be able to achieve projected cost reductions and optimum data standardization.

Question. What impact would CHCS have on the desire to recapture a significant share of CHAMPUS within military hospitals and clinics?

Answer. By increasing productivity CHCS will provide the incentive and opportunity to medical treatment facilities to utilize services in the direct care system to the fullest extent possible. Increased productivity throughout the medical treatment facility leads to increased capacity. Reducing pharmacy waiting times, making available laboratory results in an efficient manner and im-

proving accuracy of medical records all afford an opportunity for increased productivity.

Question. Would you please describe CHCS current and future initiatives that deal with positively impacting physician practice and the nursing shortage?

Answer. By providing rapid access to information throughout the medical treatment facility, CHCS will have a significant impact on physicians and nurses. The manual management of information is a major time consuming activity in all treatment facilities. This includes everything from time spent looking for a patient's medical information to writing patient identification information on page after page of treatment reports, lab slips, prescriptions, and admissions and dispositions forms. A large number of these information management tasks must be accomplished by the physicians and nurses. CHCS will not only ensure that information is available electronically when and where it is needed, but will also relieve health care providers from the repetitious entry of patient identification information.

DoD is currently evaluating a wide range of new data entry devices that will further reduce the physicians' and nurses' administrative workload. These devices range from hand-held terminals and bar-code readers to voice recognition devices. All of these devices are being evaluated for their potential for releasing physicians and nurses from administrative burdens so they can spend more time in direct patient care.

CHILDREN'S HOSPITALS AND DRG'S

Question. Dr. Mendez, this committee has been very concerned about the application to Children's Hospitals of Diagnostic Related Groups. How are the discussions with the Children's Hospitals going about the data which is needed to establish the DRGs?

Answer. Children's hospitals and neonatal services in general hospitals were covered by pediatric DRGs during FY 89 after substantial discussion with and input from the National Association of Children's Hospitals and Related Institutions. Refinements regarding data recalculations are ongoing currently with full participation by NACHRI.

[CLERK'S NOTE.—End of questions submitted by Mr. Young. Questions submitted for the record and the answers thereto follow:]

METHODS TO REDUCE THE COST OF MEDICAL PROGRAMS

Question. In the last few years there have been ideas proposed for reducing the cost of medical care. Ideas such as user fees in the military facilities; user fees in PRIMUS/NAVCARE clinics; and, increasing the deductible and cost share for CHAMPUS. Tell us about the CHAMPUS deductible and cost share requirements. Is it true that levels have not changed since the inception of the program? How does this compare with the private sector?

Answer. The CHAMPUS deductible and cost-share were set in law in 1966 at the inception of the program. The deductible is the same for all beneficiary classes—$50 per patient, $100 per family each fiscal year. For active duty family members the cost-share is twenty percent of the allowable charge, while for retirees and their

family members, the cost-share is twenty-five percent of the allowable charge. The average annual deductible amount per individual in 1988 was $153 within private plans and $217 within federal employee plans. The CHAMPUS cost-shares compare favorably with the private sector.

Question. Have you given any thought to implementing a user fee/cost share program in the military facilities? Do you believe this is feasible and if so, how would we implement such a proposal?

Answer. Such proposals in the past have had a negative impact on the morale of our over 9 million beneficiaries. For such a fee to be feasible, it would have to be very carefully considered for its effect on the Department's health care delivery patterns—both the effect on the types and amount of care our beneficiaries seek from the direct care system and that care typically financed through CHAMPUS. As I have emphasized in my testimony, changes to the DoD medical care system should be addressed in view of the effect of these changes to the totality of the system and in view of the delicate balance between the direct care and CHAMPUS components of the system.

Question. In fiscal year 1988, this Committee recommended a user fee for PRIMUS and NAVCARE visits which was not adopted by Congress. What do you think of this idea, would it be possible to reduce the cost of the PRIMUS and NAVCARE contracts through the use of cost sharing mechanisms?

Answer. The effect of a user fee for Primary Care for the Uniformed Services (PRIMUS) and Navy Cares (NAVCARE) visits would have to be very carefully considered for its effect on the Department's health care delivery patterns, both the effect on the types and amounts of care our beneficiaries seek from our military treatment facilities and that care typically financed through CHAMPUS. Any changes to the DoD medical care system should be addressed in view of the effect of these changes to the totality of the system and in view of the delicate balance between the direct care and CHAMPUS components of the system. The Department is prohibited legally from imposing such a fee for outpatient services in the direct care system through FY 1990 and 1991.

Question. What would be the impact of a program designed to offset the future cost of CHAMPUS? For example, would it be possible to implement a payroll-based deduction to pay for future health care requirements?

Answer. The Department has several on-going initiatives to curb the future cost growth of CHAMPUS. Most notably, the Department has moved toward coordinated managed care projects as an overall approach to an integrated delivery system designed to control the cost and volume of health services to maximize the value of health benefits. The Department has utilized such managed care features as organized delivery systems, financial controls and incentives and utilization management to assure the necessity and appropriateness of setting in a variety of projects—the CHAMPUS Reform Initiative, the fiscal intermediary PPO demonstration, the Tidewater mental health project, and catchment area management demonstrations. In addition, through payment reform programs, the Department has helped contain the cost to the government and the beneficiary through prospectively determined institutional re-

imbursement Diagnostic Related Groups (DRGs) and the imposition of growth limits on professional provider reimbursement. Through a number of other programs (Partnership, Alternate Use of CHAM PUS Dollars Test) the Department supports investment of resources in military medical facilities to enhance services and to recapture CHAMPUS workload. These initiatives together have improved CHAMPUS efforts at cost containment, military-civilian coordination, and beneficiary satisfaction.

As the Department moves forward in its attempt to improve the military medical system, we are reviewing actively a number of features to aid in the task of controlling costs. We are not overlooking the fact that the civilian industry uses premiums for beneficiaries to "buy into" the plan.

DEFENSE MANAGEMENT REVIEW INITIATIVES

Question. The Defense Management Review (DMR) submitted to Congress in January, included a proposal to require non-availability statements for high cost outpatient medical care. A non-availability statement is issued by a hospital commander when the military facility cannot provide the type of care needed by the patient and this statement becomes the authorization for the patient to use CHAMPUS. Until now, non-availability statements have been required only for inpatient care, allowing, beneficiaries to use CHAM PUS for any and all outpatient care without first checking to see if the military medical facility could provide it.

Are you familiar with the DMR proposal? Considering how health care has changed in the last decade with more and more procedures being done on an outpatient basis, do you think the DMR proposal will help you get some of the high cost outpatient workload away from CHAMPUS and back into the military facilities? The information provided to Congress in January did not include any listing of the type of outpatient care to be covered by this proposal. Do you have such a list?

Answer. We believe that the proposal will help us get some of the high cost outpatient workload away from CHAMPUS and back into the military facilities. The essence of this proposal is the twofold desire to return care to military medical treatment facilities (MTFs) and to contain the increasing costs of the CHAMPUS program. The requirement for the issuance of a nonavailability statement (NAS) for a few expensive outpatient procedures is consistent with the current requirement that an NAS be issued for nonemergency inpatient care provided at civilian facilities to CHAMPUS beneficiaries who reside within the inpatient catchment areas of MTFs. We do not anticipate requiring an NAS for all outpatient services; rather, we foresee the requirement pertaining to a few high-cost procedures.

The procedures we are considering might be grouped into three categories of procedures: (1) outpatient surgery procedures; (2) high cost diagnotic procedures; and (3) other selected outpatient procedures which have high unit costs and for which care may be available in MTFs generally. The actual outpatient procedures covered would be announced annually and widely publicized. This would

allow us to make necessary adjustments as we gain experience with the program.

An example of a procedure under the category of outpatient surgery that we would expect to cover is cataract surgery. CT scans and magnetic resonance imaging tests are examples of high cost diagnostic procedures we would expect to cover. An example of the category of other selected outpatient procedures which have high unit costs and for which care may be available in MTFs generally is an arthroscopy.

Question. The information provided to us indicates that this DMR proposal will provide a savings of approximately $20 million in 1991 and a total of $503 million through 1995. Do you agree with these saving estimates?

Answer. The Department of Defense has included in its Defense Management Review a proposal to require non-availability statements for certain types of outpatient medical care. The Department expects to proceed with a test in FY 1991 as a means to encourage the use of the direct care system and reduce CHAMPUS workload volume and therefore costs. While "savings" in the range of $10 to $20 million have been estimated, better estimates will be available when implementation plans are finalized.

LOW PRODUCTIVITY IN THE MILITARY FACILITIES

Question. The Committee has tried to help the Services by increasing the funding for the Military Treatment Facilities. It is our understanding, that on the whole, care provided in the military facilities is less expensive than care provided under the CHAMPUS program. Therefore, in an effort to save money, Congress increased funding for the military medical facilities both in 1989 ($228.5 million) and 1990 ($90 million). Despite the funds added in the past two years, the number of patients treated in the military facilities has not increased significantly. Would you please comment on this situation. What can be done to increase the level of productivity in the Military Treatment Facilities?

Answer. The general workload trend at the Military Treatment Facilities over the past several years has been downward. However, I have noted that recent statistics (FY 1988 to 1989) offer some indication that this trend may be reversing. Admissions for the total system have been decreasing. However, the FY 1989 direct care workload, when compared to FY 1988 shows an increase in admissions for retirees and dependents of retirees. Similarly for outpatient visits, even though the five-year trend from 1985 to 1989 shows an overall decrease of 4 percent in outpatient visits, the comparison of 1988 to 1989 indicates an increase in total outpatient visits in military facilities of about 1 percent. I cannot completely alleviate your concerns by assuring you that the downward trend in workload at military hospitals and clinics has been totally reversed. I can only hope that this long awaited upward trend of workload at our military facilities is an indication that we have been successful in reversing the trend. As for what we can do in the future to increase productivity in the Military Treatment Facilities, the Department intends to continue to encourage the Services to invest in the direct care system by providing additional re-

sources and tools to increase their capacity. The $90 million appropriated in FY 1990 for additional support personnel is a perfect example of an influx of resources that can clearly contribute to increased capability.

Question. What is being done to implement a more accurate unit of measurement of health care provided in the military facilities?

Answer. Effective 1 October 1988, the Department implemented a phased methodology for the Services to allocate resources to their Military Treatment Facilities using disease-based weighted inpatient dispositions (DRGs) and cost-based weighted ambulatory visits. A disease-based weighted outpatient system of resource allocation will be introduced effective 1 October 1991.

STAFFING PROBLEMS IN MILITARY FACILITIES

Question. The military facilities continue to have problems with adequate staffing. Physicians are doing too much administrative work and do not have the time to treat all of the patients. What can be done to reduce the amount of paperwork that we require our physicians to complete?

Answer. The need for additional support staff in military medical treatment facilities, for clinical as well as administrative functions, has long been recognized as a major resource problem within the Military Health Services System. Although military medical programs have received high priority in the Services' budgets, the demand for increasingly sophisticated medical care has stressed available resources. As a result, funding objectives to fully remedy support personnel shortfalls have yielded to budgetary constraints. However, the Services have made significant efforts in past years to increase resources for support personnel, and further improvements are constantly being pursued. In this regard, the Department has applied the $90 million recently appropriated for that purpose to hire additional support personnel for military hospitals.

Additionally, the Department has authorized an exception for medical personnel to the fiscal year 1990 civilian hiring freeze, which was imposed to reduce the civilian work force and better manage future strength reductions. The exception authorizes each Service to fill, without geographic restriction, up to 1,000 medical staff and medical support personnel positions in hospitals and related health care delivery organizations. Further authority has been delegated to the Service Secretaries to release positions from the freeze, on a position-by-position basis, when essential to meet medical requirements.

Question. The Navy is attempting to address its staffing problems by moving the military physicians to isolated, overseas, and remote locations where care in the private sector is limited. This means that in those areas with an active private sector physician base, the beneficiaries use CHAMPUS. Have you seen the Navy's proposal and if so, what do you think of this plan?

Answer. Health Affairs has not seen the Navy's proposal as described for addressing its staffing problems. We would be willing to review their staffing proposal if the Committee requests it. We understand however, that the proposal in question was an informal one described by Navy to the House Appropriations Committee staff

during a site visit to San Diego. Consequently, there may not be any formal plan to review.

Question. With military end strengths going down, the hope that there would be an increase in the number of health care personnel billets is not realistic. However, considering the shortage of medical personnel which exists today, it is hard to believe the Services would request a reduction in the number of medical billets.

Do you, as Assistant Secretary of Defense for Health Affairs, have any input or control over the Services' requests for medical personnel?

Answer. Requests for military personnel contained in the Services' budgets reflect only aggregate personnel end strengths and funding requirements. The budgets do not specifically request distributions of strength by skill categories such as medical. Similarly, Congressional authorizations, strength ceilings and appropriations are provided to the Service only at aggregate levels.

During the budgetary process, each Service Secretary exercises his discretionary authority to determine Service resource priorities and the skill distribution of military end strength to be allocated against those priorities. Their budget requests reflect the product of the Services' decision processes in determining priorities and distributing end strength accordingly.

The Office of the Secretary of Defense (OSD) does not have a direct role in, nor control over, the Services' budget decision processes regarding skill distributions of military end strength. However, within the framework of the Department's Planning, Programming and Budgeting System (PPBS), the Assistant Secretary of Defense (Health Affairs) participates with the OSD staff principals in reviewing the Services' budget requests. This process includes review of the Services' justification for the medical portions of their budgets. OSD staff principals, including the Assistant Secretary (Health Affairs), have the opportunity to input appropriate recommendations within the context of the budget review process.

Question. Do you believe that this is a responsibility which requires input and control from your office?

Answer. The Department's established procedures for input by OSD staff principals within the framework of the budget review process are entirely appropriate. Each Service Secretary has primary responsibility for accomplishing his Service's overall mission with the resources allocated by Congress for that purpose. It is therefore appropriate that primary authority and control over determining each Service's resource priorities and distributing its available resources remain vested in the respective Service Secretaries. While Health Affairs expects that the service Secretaries will protect medical and medical support personnel from significant strength reductions, the specific effects of future force cuts on medical strength will depend on decisions made by each Service Secretary and the extent of overall reductions that may be required.

Question. Please provide the number of military and civilian health care professionals for 1990 and 1991.

Answer. The following table summarizes the Department's active component budgeted end strengths from military and civilian health care professional for 1990 and 1991.

Corps	Fiscal year—	
	1990	1991
Medical Corps	14,143	14,336
Dental Corps	4,863	4,880
Nurse Corps	13,893	13,898
Medical Service/Biomedical Science Corps	11,837	12,431
Veterinary Corps	442	445
Warrant Officers	863	733
Health Care Enlisted	106,170	108,325
Civilian Health Care Personnel	49,986	52,653
Total	202,197	207,701

LETTERMAN ARMY MEDICAL CENTER

Question. The report accompanying the Department of Defense Appropriations Act, 1990, stated that it would be in the government's best interest to keep a hospital operating at the Army Presidio of San Francisco, California. The Presidio was recommended for closure by the Defense Secretary's Commission on Base Realignment and Closure.

The conferees agreed that in the interest of saving CHAMPUS and Medicare costs, the Department should not leave the beneficiaries in the San Francisco area without a low cost health care alternative such as a military-sponsored facility. Are you aware of the report language on the Presidio?

Answer. Yes. We are aware of the FY 1990 Armed Services Conference Committee language which directed the Army and the Department of the Interior to investigate a leaseback of the Letterman Army Medical Center.

Question. Do you think that this case provides an opportunity for a creative, possibly contracting, approach?

Answer. We recognize that we have a responsibility for providing health care to the beneficiaries who will remain in the San Francisco area after the closure of Letterman Army Medical Center. The vast majority of these beneficiaries will be retirees. We believe current programs to support this responsibility, the CHAMPUS Reform Initiatives and Catchment Area Management, should be sufficient to meet the needs of our beneficiaries. However, we will study the issue of health care delivery in the Bay Area very carefully, especially in light of the possible closure of Naval Hospital, Oakland. If we determine that we can contract for services from the private sector in a cost-effective manner, then we will certainly pursue that alternative.

Question. Are you monitoring the Army's progress on this issue?

Answer. I am in contact with the Army on a continuing basis on this and other issues relating to base closure.

Question. Do you believe that a military-sponsored health care facility would provide care at less cost to the government than CHAMPUS?

Answer. In many cases, care provided by a military facility is less expensive than care provided in the civilian sector and financed by the CHAMPUS program. In the case of Letterman, the decision has been made to close the hospital and our beneficiaries

in the area will need to seek care through alternative sources such as care in the regular CHAMPUS program, the CHAMPUS Reform Initiative, Medicare, or care covered by other medical insurance.

CHAMPUS REFORM INITIATIVE

Question. Dr. Mendez, as you are well aware, there has been a great deal of concern expressed during the past year about the financial viability of the CHAMPUS Reform Initiative (CRI) contractor, Foundation Health Corporation. There have even been a couple of instances where Foundation was in non-compliance with financial aspects of the contract. At a time when DoD had to make a critical decision about exercising the option on this contract, the financial backer of Foundation, Merrill Lynch, provided a loan to keep the company up and running. There has been some talk that maybe Merrill Lynch is considering withdrawing their support. What is the future of the relationship between Foundation Health Corporation and Merrill Lynch? If Merrill Lynch does withdraw from this financial commitment, is Foundation in a position to survive on its own? Would an action like this cause you to reconsider the CRI contract with Foundation?

Answer. Merrill Lynch is an active and major participant in Foundation Health Corporation (FHC). They own 44% of the company and have invested $55 million. Two of their senior officers serve on the FHC Board of Directors. Any transfer of ownership of Merrill Lynch's stock in FHC, the parent holding company, should not affect the financial condition of its subsidiary, Foundation Health Federal Services, Inc. (FHFS), which now is the CRI prime contractor.

There is every reason to believe Merrill Lynch will continue to be actively involved. We are satisfied with their investment.

COMPOSITE HEALTH CARE SYSTEM

Question. The Composite Health Care System (CHCS), is the $1.6 billion initiative to automate Department of Defense hospitals.

This system is curently undergoing operational test and evaluation in a number of military medical facilities. What is the current status of this operational test and evaluation?

Answer. The system is undergoing operational testing and evaluation in 10 military hospitals to be certain the system will fully satisfy our clinical and administrative needs. A development decision based on data collected in this operational test is currently scheduled for October 1990.

Question. What are your current plans to make a deployment decision on CHCS and what is the strategy concerning deployment?

Answer. The Department currently plans to make a deployment decision on CHCS through the Major Automated Information System Review Council (MAISRC) Milestone III decision during October 1990. Our deployment strategy, based on Military Department priorities and availability of funds, is:

In 1991, use CHCS functionality to begin replacement of the aging and expensive Initial Operating Capabilities systems located in 19 medical treatment facilities. Additionally we will begin

phased-in implementation of CHCS at high priority sites agreed to with the Military Departments.

From 1992 through 1997, continue phased-in implementation of CHCS based on deployment schedules developed by the Services in accordance with DoD-wide priorities, and the availability of funds.

Question. The fiscal year 1991 budget request proposes an increase in the cost cap for the CHCS program from $1.1 billion to $1.6 billion (in FY 1986 constant dollars). What types of costs does this estimate include and what period of time does this current projection cover?

Answer. The Fiscal Year 1991 President's Budget Submission includes a revised life cycle cost cap figure for the Composite Health Care system (CHCS) of $1.6 billion in constant FY 1986 dollars. The original figure instituted in 1985, and retained since that time without change, was $1.1 billion in FY 1986 dollars. This figure was based on estimated prime contract costs only. Additionally, when the cap was established, the standard life cycle for an ADP system was eight years.

Since that time greater specificity in the definition of life cycle has occurred. Specific categories of costs are defined and extended operating periods are required. The current $1.6 billion figure includes all costs associated with the program (prime contract costs and associated government costs) and includes an additional five year period added to the life cycle of the program. The estimated cost figure has been revised to reflect an extended operational period for the system, and potential additional benefits occurring over that extended life cycle.

Question. This Committee has addressed the issue of central funding for this program in legislation over the past two years. What has Health Affairs done to respond to the Committee's concerns in this regard?

Answer. Health Affairs will initiate a re-evaluation of the Department's funding policy and will propose a revised policy to the Services by June 1990. Additionally, we intend to raise the issue of central funding during the Department's formulation of the FY 1992 budget.

Question. The Committee has expressed concern a number of times from the Department's lack of strategy (or "architecture") for automating all DoD medical ADP system in order to prevent the Services from building their own unique systems. When will such an architecture be developed and submitted to the Congress?

Answer. DoD has developed a draft target architecture for medical information systems. This was published in February 1989. Additionally, a medical functional group has been established within the Department's Corporate Information Management Program. The purpose of that group is to develop a strategic business plan and standard information requirements for the medical function. The medical functional group will conduct its first session in May.

ALTERNATIVE USE OF CHAMPUS FUNDS

Question. In fiscal years 1989 and 1990, the Congress gave the Department of Defense the authority to use up to $100 million of CHAMPUS funds for specific projects in the military facilities de-

signed to reduce the cost of CHAMPUS. One of the concerns expressed by this Committee last year was that these projects could actually be increasing the use of CHAMPUS, increasing the number of claims, and thereby increasing CHAMPUS costs. Do you think this is a possibility? If so, what can we do to eliminate the problem? Have you been able to determine if these projects have actually saved CHAMPUS dollars? How many projects have been approved by your office? Do the Services plan to submit more projects in fiscal year 1991?

Answer. Approval of projects for the Alternate Use of CHAMPUS Funds Test follows a number of Congressionally and OSD-set criteria, to include producing net verifiable CHAMPUS savings for each project individually. The Department has been concerned with recent statistics indicating that investment of resources into the direct care system, while increasing direct care workload, does not necessarily produce a concomitant reduction in CHAMPUS workload. The Department is seeking further utilization management strategies to alleviate the overall workload increase, and more detailed OSD guidance to project managers will be published this summer in a Project Management Guide.

Early indications are that implemented projects have demonstrated CHAMPUS savings. The DoDIG and Health Affairs jointly are reviewing the FY 1989 program operations, and a report is expected by June 1990.

Question. Please provide a list of all alternative use projects, funding levels, and verified cost savings. Also, please indicate, by fiscal year, the amount of funding used to support these projects.

Answer. Early indications are that implemented projects have demonstrated CHAMPUS savings. The DoDIG and Health Affairs jointly are reviewing the FY 1989 program operations, and a report is expected by June 1990. During FY 1990, 32 projects have had funding approved. In the near future, the Services will be asked to submit to Health Affairs funding requirements for FY 1991. The following table provides specific program and funding information.

[Dollars in millions]

Project location	Type of care	Fiscal year— 1989 cost	Fiscal year— 1990 funding
Army:			
Fort Gordon, GA	Open Heart	.6	1.5
Fort Bliss, TX	Psychiatry	.05	1.6
Fort Dix, NJ	OB/GYN	.03	1.3
Fort Hood, TX	Surgery	.2	.6
Fort Knox, KY	Nuclear Medicine	.06	.2
Fort Knox, KY	OB/GYN	.09	.3
Fort Monmouth, NJ	Gynecology	.1	.2
Fort Riley, KS	Psychiatry	0	.7
Fort Stewart, GA	Obstetrics	.2	.7
Fitzsimons, CO	Psychiatry	0	.7
Fort Knox, KY	High Risk OB	.003	.04
Carlisle, PA	Pediatrics	.001	.03
Fort Polk, LA	Adolescent Psych	0	.2
Redstone Arsenal, AL	ENT	.02	0
Fort Riley, KS	OB/GYN	.1	.2
Walter Reed, DC	ABMT	.1	.6

[Dollars in millions]

Project location	Type of care	Fiscal year— 1989 cost	Fiscal year— 1990 funding
Bad Cannstatt, GE	Adolescent RTF	0	.7
Total		1.6	9.6
Air Force:			
Elmendorf, AFB, AK	OB/GYN	.1	.5
Tinker AFB, OK	OB/GYN	.7	1.6
Hill AFB, UT	OB/GYN	.9	0
Offutt AFB, NE	Psychiatry	.2	.5
Wright-Patt AFB, OH	Surgery	.2	1.2
Wright-Patt AFB, OH	Open Heart	.4	1.9
Eglin AFB, FL	Surgery	.2	.4
Nellis AFB, NV	Surgery	0	1.1
Nellis AFB, NV	ENT	0	.2
Nellis AFB, NV	Urology	0	.2
Nellis AFB, NV	OB/GYN	0	.5
Davis Monthan, AZ	Surgery	.1	.6
Minot AFB, ND	ENT & Urology	0	.3
Shaw AFB, SC	OB/GYN	0	.3
Shaw AFB, SC	Anesthesia Services	0	.1
Grand Forks, ND	Arthoscopy	0	.08
Kirtland AFB, NM	Clinical Services	0	.7
Total		2.8	10.1

ABILITY TO TREAT CASUALTIES IN CONUS

Question. A February 27, 1990, DoD Inspector General report on wartime expansion capacity of military hospitals in CONUS states that the Army will have a shortfall of about 18,000 beds after mobilization because additional buildings would not be built until 6–12 months after mobilization. The IG stated that while this deficiency has been known for some time, there have been no actions taken to construct mobilization hosptials or buildings. Since one of your missions is consolidated construction for military hospitals, what are your plans to address this shortfall?

Answer. This shortfall is addressed through the National Disaster Medical System (NDMS). The NDMS is a cooperative effort of the Department of Health and Human Services (HHS), the Department of Defense (DoD), the Department of Veterans Affairs (DVA), the Federal Emergency Management Agency (FEMA), state and local governments, and the private sector. Rising medical costs have made it impossible for DoD and the DVA to maintain a system of definitive care for mass casualties resulting from an overseas conventional conflict. In 1980, the Department of Defense established the Civilian-Military Contingency Hospital System, under which non-Federal hospitals voluntarily pre-committed beds to backup the DoD–DVA hospital system. A pre-commitment for more than 103,000 non-Federal acute care hospital beds in more than 1,600 hospitals throughout the country has been obtained through this program.

Question. Additionally, the IG discovered that the number of beds reported as available for use after mobilization was greater

than the number counted by the inspectors. This situation indicates that the number of beds which the Department states will be available for use after mobilization may well be underestimated.

Based on the IG's findings, do you believe that the number of beds which you state as available in CONUS for casualties, may be underestimated? If so, do you plan to re-evaluate your requirement.

Answer. The referenced audit report showed that the Military Departments could meet or exceed their reported expanded bed capacities using CONUS hospitals and other facilities. However, the Army will have a shortfall of about 18,000 beds after mobilization until construction of required mobilization-design hospitals and wards is completed, six to twelve months later. With events in Eastern Europe evolving as they have over the past months, all of or requirements information is subject to re-evaluation.

MEDICAL READINESS ISSUES

Question. As you know, Congress has expressed continuing concern for readiness in military medicine and our ability to effectively treat casualties. We are very concerned about the number of physicians and support staff that will be needed during mobilization. DoD does not have on active duty the number or the specialists needed for wartime health care and must rely on the Reserve components to provide these people.

What programs are in place to assist the Reserve components in attracting and retaining qualified medical personnel?

Answer. There are serveral programs designed to attract and retain qualified medical personnel in the Reserve components (RC). Financial assistance programs designed to attract health professionals include the Health Professionals Loan Repayment Program (HPLRP), the Stipend Program, and the Selected Reserve (SELRES) Recruitment Bonus (Test). The HPLRP will repay loans used to finance health professions education; the Stipend Program provides a monthly stipend while health professionals are completing advanced or specialty training. The Department is presently conducting a limited, Congressionally-directed test of the effect of bonuses on the recruitment of health professionals who choose to serve in the SELRES.

The Services employ a number of other specialty programs to recruit and retain RC medical personnel. These include Wartime Alignment of Reserve and Active Medical Systems (WARAMS), Medical Readiness Exercises (MEDREX), Reserve Flexibility (REFLEX), Continuing Health Education to Enhance Readiness (CHEER), and Physician Reservists in Medical Universities and Schools (PRIMUS). WARAMS maximizes the mobilization readiness and operational effectiveness of medical units and members by providing opportunities for those who will work together in wartime to train together in peacetime. MEDREX allow RC medical units and members to participate with the active forces in command post and field training exercises. REFLEX provides opportunities for RC medical personnel to receive pay and/or retirement points by developing flexible scheduled training programs. CHEER enables medical personnel to maintain and enhance their professional skills while simultaneously contributing to mobilization

readiness. PRIMUS provides RC physicians and other medical personnel with opportunities to earn Reserve pay and retirement points while training at medical universities and schools. REFLEX, CHEER, and PRIMUS have been especially attractive as recruitment and retention programs.

Question. What programs are in place to provide adequate reserve duty for these individuals?

Answer. All specialty programs mentioned above provide excellent reserve training opportunities, WARAMS and MEDREX, with their focus on mobilization readiness and operational effectiveness, provide especially unique opportunities for RC medical personnel to receive training in the medical roles they will assume upon mobilization. In addition to these specialty programs, there are a wide range of unit and individual programs, all of which provide an enormous variety of assignments to RC medical personnel.

Question. Have you experimented with programs which allow the Reservist, while in their civilian capacity, to credit time toward their commitment by treating military patients?

Answer. Two of the programs mentioned earlier. RELFEX and PRIMUS, provide flexible options which RC medical personnel to fulfill their inactive duty training requirements while treating military, as well as civilian, patients.

Question. The number of beds available overseas during mobilization is limited and standing facilities are augumented by Deployable Medical Systems (DEPMEDS) which are prepositioned.

What is the fiscal year 1990 and 1991 funding level for DEPMEDS and how many (by bed size) do you plan to buy each of these fiscal years?

What are the plans for buying DEPMEDS for fiscal years 1992–1997?

Answer. DEPMEDS funding levels for fiscal years 1990 and 1991 are $64 million and $66 million respectively. The number of hospitals to be purchased are:

Hospital type	Fiscal year—	
	1990	1991
MASH (60 beds)	1	
Combat support (200 beds)	3	1
Evacuation (400 beds)	1	
Field (400 beds)	1	2
Station (300 beds)	1	
Station (500 beds)		1
General (1000 beds)	1	2
Total	8	6

The Program Objective Memorandum (POM) for FY 1992–1997 has yet to be submitted by the Services. The current POM (FY 1990–1994) included 53 DEPMEDS hospitals as follows:

Hospital type:	*Quantity*
MASH (60 beds)	3
Combat support (200 beds)	13
Evacuation (400 beds)	3
Field (400 beds)	7
Station (300 beds)	5

General (1000 beds)	10
Fleet (500 beds)	1
Fleet (1000 beds)	5
AF contingency (500 beds)	6
Total	53

PAYMENT OF CHAMPUS CLAIMS BY MILITARY PERSONNEL

Question. It has come to our attention that in at least one location, a civilian physician would not submit the CHAMPUS paperwork for care he had provided and insisted that the military member use a credit card to pay the claim. By using a credit card, the military member would have had to carry this debt until the CHAMPUS reimbursement came through.

Are you aware of this situation?

Do you think this is acceptable behavior on the part of the civilian physician?

What can we do to ensure this type of thing does not happen?

Answer. The Department has received anecdotal information about individual providers requesting payment from beneficiaries by credit card. The Department is pursing information about specific incidences which has not yet been received. It would be the Department's position to dissuade providers from such requests.

[CLERK'S NOTE.—End of questions submitted for the record.]

TUESDAY, MARCH 13, 1990.

MEDICAL PROGRAMS—DEPARTMENT OF THE NAVY

WITNESS

VICE ADMIRAL JAMES A. ZIMBLE, MEDICAL CORPS, U.S. NAVY, AND DIRECTOR, NAVAL MEDICINE AND SURGEON GENERAL

INTRODUCTION

Mr. HEFNER. The committee will come to order.

This afternoon we welcome Vice Admiral James A. Zimble, Director of Naval Medicine and Surgeon General of the Navy.

Admiral Zimble is recovering from injuries sustained in a very serious accident, so we won't be too hard on him today.

Where did this take place? I hope it wasn't on Shirley Highway?

Admiral ZIMBLE. I was much more circumspect. I was on Connecticut Avenue.

Mr. HEFNER. We are happy to have you before the committee. Your complete statement will be made part of the record. Please proceed.

SUMMARY STATEMENT OF ADMIRAL ZIMBLE

Admiral ZIMBLE. Mr. Chairman, it is always a pleasure to be here and have an opportunity to find a receptive forum to assist Navy medicine. I have submitted my full statement, but there are just a few items that I would like to point out.

First of all, with your help, we have made some significant progress over the last year and have submitted to your staff our second annual report for Navy medicine.

As far as performance, our work load in our direct health care facility is up. We have an increased number of admissions, increased outpatient visits, and decreased the number of non-availability statements for CHAMPUS.

As far as personnel is concerned, thanks to your support in the 1990 budget, which was absolutely essential to continuing our efforts to recruit and to retain medical personnel, especially our physicians and nurses, we expect our inventory of medical personnel to be significantly increased this fiscal year.

Recruiting numbers are up for all corps except perhaps for dental compared to this time last year. Nursing recruiting is way up compared to last year, with 250 percent more candidates accessed or being considered than at the same time last year. We have more physicians in training than any time in the last decade and that includes our graduate medical education level one, our interns. Virtually all of our enlisted training positions are filled.

The additional funding provided in fiscal year 1990 has been annualized into fiscal year 1991 with an equal offset into the CHAMPUS line.

We have made significant strides in quality of care. We have joined with the Maryland Hospital Association in a quality indicator project which allows us to compare ourselves with our peers, not only in the military, but also in the civilian sector, and we have had very good news from the civilian external peer review program sponsored by OSD in that the Navy came in quite favorably in the whole DOD picture.

For 1991, funds requested will provide for an additional 194 civilian medical personnel. It will give us phase 2 of our Portsmouth program; $40 million of military construction. It will allow us to move ahead with a fleet hospital storage facility for $10 million.

I must state at this time, Mr. Chairman, that the fiscal year 1990 manpower reprogramming request that is before this committee is absolutely vital to our being able to continue the operational tempo that we have established and to keep moving forward. Navy medicine's fate is very much tied to that of the line. Without approval of the reprogramming request, thousands of sailors and Marines will be sent home early and we will be among those thousands.

Vice Admiral Mike Boorda told me that in such a short fuse, there will be no way for him to immunize health care providers. It will result in a hollow force structure—ships without sailors, aircraft without pilots, and hospitals without caregivers.

This is a very significant medical issue and if the Navy is forced to take these Draconian cuts, Navy medicine will surely be cut out and our Navy and Marine Corps families will suffer. In the course of a few months, we might well squander years of hard work and dedication of our Navy people.

What we ask for, what we need from Congress this year are the following elements. I realize that not all these are under your committee's purview. We need to consider Gonzalez Act protection for all providers in the facilities, especially the active duty overseas facilities. We need to continue to support the medical corps bonuses and to work with bonuses for other providers; to work with the Assistant Secretary of Defense for Health and the Services to replace MORB with a long-term entitlement. We need to increase or remove the cap on personal services contracts. We need to consider tying medicare providers to CHAMPUS as is currently the case for institutions. We need to remove dual compensation prohibitions for retired military health care providers so that they can continue to serve us so admirably. We need to provide authority to use operating funds—this one is a repeat from last year, but we really need to have some authority to use our operating funds to pay for tail insurance, tail malpractice liability insurance, or to pay off student loans for those we wish to access into the service. I don't need any extra funding for that, just authority. It has a very short payback in many instances. We need to look at the disturbing trends in the other health care provider communities and to examine the appropriateness of current levels of pay. Last, I would ask that the committee consider rescinding the request or the requirement for increased obligation for the Uniformed Services University of Health Sciences students.

In summary, I look to the nineties as a decade of difficult decisions that are going to have to be made if we are going to be able to continue our course forward in providing quality care, best value of care at lowest cost.

Thank you, sir.

Mr. HEFNER. Thank you, Admiral.

[The statement of Admiral Zimble follows:]

NOT FOR PUBLICATION
UNTIL RELEASED BY THE
HOUSE APPROPRIATIONS
COMMITTEE

STATEMENT OF

VICE ADMIRAL JAMES A. ZIMBLE, MEDICAL CORPS

UNITED STATES NAVY

DIRECTOR, NAVAL MEDICINE AND SURGEON GENERAL

DEPARTMENT OF THE NAVY

BEFORE THE

SUBCOMMITTEE ON DEFENSE

OF THE

HOUSE APPROPRIATIONS COMMITTEE

MARCH 13, 1990

NOT FOR PUBLICATION
UNTIL RELEASED BY THE
HOUSE APPROPRIATIONS
COMMITTEE

VICE ADMIRAL JAMES A. ZIMBLE, MC, USN

Vice Admiral James A. Zimble is the thirtieth Surgeon General of the Navy and Director of Naval Medicine.

Vice Admiral Zimble was born October 12, 1933, in Philadelphia, PA. After spending his formative years in Little Rock, AR and Bala-Cynwyd, PA, he graduated from Franklin and Marshall College, Lancaster, PA, with a Bachelor of Science Degree and received his Medical Degree from the University of Pennsylvania School of Medicine in 1959. He served in the Naval Reserve as a medical student from 1955 to 1959.

After serving a rotating internship at Naval Hospital, St. Albans, NY, from 1959 to 1960, Vice Admiral Zimble attended the Deep Sea Diving School, Washington, DC; the Officer's Basic Course and Special Radiation Control and Health Physics Course, U.S. Naval Submarine School, New London, CT; and nuclear power training at the Nuclear Reactor Prototype, West Milton, NY.

Vice Admiral Zimble was subsequently assigned to the USS JOHN MARSHALL (SSBN-611) as the plank owner medical officer of the Blue Crew, and in 1963, he received Submarine Medical Qualifications. Follow-on assignments included: residency training in Obstetrics and Gynecology, Naval Hospital, St. Albans, NY (1963-1966); OB-GYN staff, Naval Hospital, Camp Pendleton, CA (1966-1970); OB-GYN staff, Naval Hospital, Philadelphia, PA (1970-1972); Chief, OB-GYN Service and Director, Clinical Services, Naval Hospital, Lemoore, CA (1972-1976); Director, Clinical Services, Naval Regional Medical Center, Long Beach, CA (1976-1978); and Commanding Officer, Naval Regional Medical Center, Orlando, FL (1978-1981). Flag assignments have included The Medical Officer, U.S. Marine Corps (1981-1983); Fleet Surgeon, U.S. Atlantic Fleet, with additional duty as Command Surgeon, U.S. Atlantic Command and Medical Advisor to Supreme Allied Command, Atlantic (1983-1986). In February 1986, he reported to the Office of the Assistant Secretary of Defense for Health Affairs as Deputy Assistant Secretary of Defense for Strategic Planning and Medical Program Management. On 1 July 1987, he was promoted to the rank of Vice Admiral and assumed the duties as Surgeon General of the Navy, Director of Naval Medicine and Chief, Bureau of Medicine and Surgery.

He is a Diplomate of the American Board of Obstetrics and Gynecology, a Fellow of the American College of Obstetrics and Gynecology, a Distinguished Fellow of the American College of Physician Executives, a Delegate to the American Medical Association and the American Hospital Association, a member of the Association of Military Surgeons of the United States, the National Board of Medical Examiners, the National Library of Medicine, and the Interagency Institute for Federal Health Care Executives.

His military decorations include the Defense Distinguished Service Medal, the Defense Superior Service Medal, the Legion of Merit (three awards), the Defense Meritorious Service Medal, the Navy Meritorious Service Medal, the Navy Commendation Medal and the Navy Meritorious Unit Citation. Additionally, Vice Admiral Zimble was the 1989 recipient of the Naval Reserve Association's Distinguished Service Award.

Vice Admiral Zimble is married to the former Janet Bailey of Westfield, NJ. They have two sons and four daughters.

JANUARY, 1990

Good afternoon, Mr. Chairman and members of the Committee. I am Vice Admiral James Zimble, Medical Corps, United States Navy, Director, Naval Medicine and Surgeon General of the Navy. I am pleased to have this opportunity to appear before you today to discuss the future of Navy healthcare.

This statement has five major parts. After this brief introduction, I will present an overview of Navy medicine today; review the results of the past year's efforts; discuss the challenges we continue to face in recruiting and retaining the highest quality healthcare professionals; update you on our medical readiness position; and, last, highlight some of the important items in this year's budget.

Since we last met to discuss the status of military healthcare, the price of the average indemnity-type healthcare insurance policy increased thirty percent; the healthcare component of the gross national product has reached nearly 12 percent; and we have reorganized the Naval Medical Department.

This time last year I said, "...the likelihood of our beneficiaries' continued access to the system they prefer is fading." I am pleased to report to you that the evidence now suggests we have reached the elbow of that declining curve and in some important areas we have reversed those disturbing trends. I will address these changes and the initiatives which helped create this very positive environment in greater detail in the second section of my statement.

The most critical variable in our healthcare system is personnel. Our medical department is rich in diversity. The four officer corps and two enlisted communities comprise the finest healthcare team in the world. Most of what we have managed to accomplish can be credited directly to these dedicated professionals. Yet, in every personnel community, we continue to face challenges that threaten our fragile

progress. The third part of my statement discusses these challenges, their likely impact if not quelled, and suggests approaches to resolving them.

The fourth section speaks to medical readiness. On November 11, 1989, the military imperatives for the free world in Europe changed dramatically. The changes in Europe have led to a reexamination of the extent to which we need to spend scarce resources on defense during a period in which "...peace is breaking out all over." As you consider our budget request, I ask you to recall the time and effort that were required for us to accomplish our present state of preparedness. We must continue to support deployable medical systems as an essential element of preserving the lives of our fighting forces.

In the fifth and final section, I review the most significant items for which we seek your support in this budget request.

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OVERVIEW OF NAVY MEDICINE

INTRODUCTION

One thing that has not changed in the past year is our mission to provide prompt and effective medical care to combat forces in time of conflict and to maintain the health status of active duty members in peacetime. Successfully accomplishing this mission contributes directly to the Navy's ability to sustain combat operations.

During peacetime we hone our wartime skills by providing healthcare services to authorized beneficiaries. This brings me to another important variable in our system that has not changed in the past year. The entitlement to healthcare services prescribed in various parts of Chapter 55 of the United States Code defines the same level of benefits provided for military family members as last year. The costs to provide those services, however, have increased significantly. Dependents of active duty personnel and retirees and their dependents are provided healthcare in our direct care system to the extent resources will permit. The remaining demand is met through CHAMPUS or other alternative sources. Although our active duty personnel must receive first priority for medical services, it is by providing care to the remainder of our beneficiary population that we sustain a clinical practice milieu that enables our clinical professionals to gain the greatest experience, thus enhancing the Navy's ability to retain its experienced professionals.

ORGANIZATION

In 1988, in response to a deteriorating Navy healthcare system, the Secretary of the Navy established a Blue Ribbon Panel to examine our system and implement remedies for its problems. The Panel concluded that the medical department's

organization was not suitable for effectively responding to the challenges of the 1990's. We reorganized by returning to the Navy bureau concept and in August 1989 reestablished the Bureau of Medicine and Surgery (BUMED). In October, we expanded the Bureau's span of influence by eliminating our regional commands and establishing field support offices. We concomitantly redirected military command and control of our military treatment facilities from medical to the line, creating a direct relationship between our treatment facilities and the line units and families they support.

Our direct care system now consists of hospitals and clinics managed through a partnership between the Bureau of Medicine and Surgery and various Responsible Line Commanders (RLC's). The Bureau of Medicine and Surgery is responsible for the operation of 36 hospitals in the United States and overseas (four of which are comprehensive teaching hospitals and four of which are family practice teaching hospitals), 200 medical clinics, and 172 dental treatment facilities. These are exclusive of facilities on U. S. Navy ships or in organic Marine Corps units.

The Bureau of Medicine and Surgery also oversees medical research, investigating issues which will keep naval forces healthy and able to carry out their mission. This is accomplished through the Naval Medical Research and Development Command in Bethesda, Maryland, which has responsibility for the Naval Medical Research Institute, Naval Health Research Center, Naval Dental Research Institute, the Naval Medical Research Units, the Naval Biodynamics Laboratory, the Naval Submarine Medical Research Laboratory, and the Naval Aerospace Medical Research Laboratory.

Also under the aegis of the Bureau of Medicine and Surgery are the Naval Aerospace Medical Institute, the Navy Ophthalmic Support and Training Activity, the Naval Medical Data Services Center, the Naval Medical Materiel Support Command, the Navy Environmental Health Center, and the Naval Health Sciences Education and Training Command.

The Navy Aerospace Medical Institute is the locus of all of our aerospace medicine related activities including graduate medical education, research, and clinical consultation to the Fleet and Fleet Marine Force.

The Navy Ophthalmic Support and Training Activity provides prescription eyewear and optical mask inserts for our personnel and trains Hospital Corpsmen in Opticianry.

All of the data processing systems under our control are developed and coordinated by the Naval Medical Data Services Center.

The Naval Medical Materiel Support Command recommends Navy medical materiel policies and evaluates the effectiveness of the wholesale military medical supply distribution system.

The Navy Environmental Health Center is Navy's equivalent of the Public Health Service Centers for Disease Control. It is responsible for tracking infectious disease, for preventive medicine measures, and for environmental and occupational health.

The Naval Health Sciences Education and Training Command (HSETC) operates the Naval Schools of Health Sciences and Hospital Corps school. HSETC trains medical personnel and oversees outservice and inservice education and training programs.

YEAR IN REVIEW

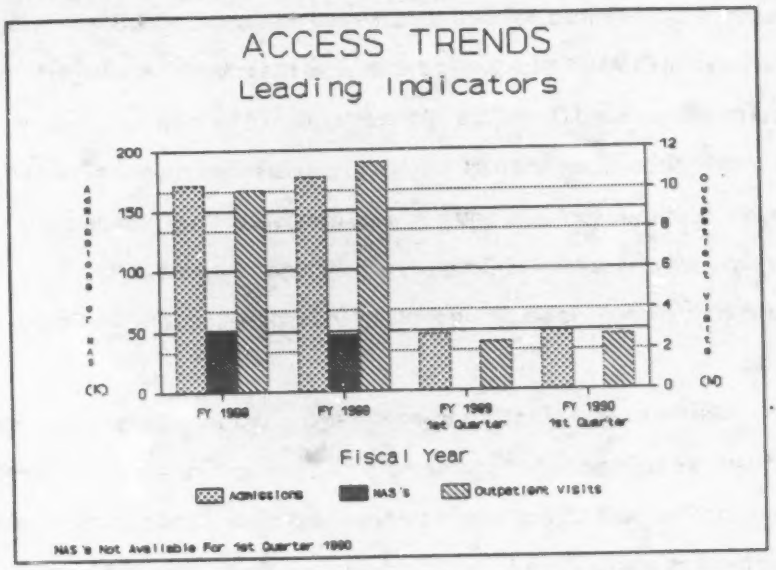
INCREASING ACCESS

Until 1988 when the Services were given responsibility for CHAMPUS expenses, we had a segmented healthcare system, making it impossible to manage the system to the benefit of the beneficiary and the taxpayer.

Spiraling healthcare costs, budget constraints, and retention and recruiting deficiencies created a very weak direct care system. After several years of being encouraged, and then forced, to use a separate and distinct CHAMPUS system for care, the return of CHAMPUS funding to the Services has enabled us to begin to meld the direct care system and CHAMPUS. We are developing an integrated delivery system which welcomes patients back into Navy hospitals strengthened by partnership agreements, healthcare contracts, and increased numbers of Navy providers and support staff. With the support of Congress and through the efforts of Navy line leadership, Navy Medicine is becoming stronger and access to quality healthcare is increasing.

To make the most of our staff and facilities and to provide access to the widest range of care, we have embarked on a new planning strategy which is built on local assessments of our beneficiaries' healthcare needs, the staffing and capabilities of our treatment facilities, and healthcare resources available in the communities in which those facilities are located. In other words, we are considering the entire community of healthcare services when determining healthcare service level needs and evaluating alternative means of meeting those needs. Using this approach, the treatment facility commanding officer and BUMED staff develop a healthcare delivery plan which provides a cost-effective delivery system consistent with Navy staffing, operational support, and training requirements.

Our outreach to the private sector for healthcare resources expanded during fiscal year 1989 in the form of health services contracting and partnership agreements. These contracts and agreements have increased access to quality care while controlling CHAMPUS costs. When compared to fiscal year 1988, we have increased the number of admissions by 3 percent. Outpatient visits, including NAVCARE visits, increased nearly 7 percent. During this same period, we observed nearly a 7 percent reduction in nonavailability statements.



In addition to the contributions of our ten NAVCARE clinics, which were begun in 1987 and which were responsible for 668,591 primary care outpatient visits in fiscal year 1989, 22 emergency medicine/acute care contracts were started in 1989. These contracts have enabled our beneficiaries to obtain emergency and acute care services within the direct care system. The outpatient visits generated under these contracts

likewise have contributed to the three percent increase in admissions at Navy hospitals. Other healthcare services being offered through contracts include obstetrics, gynecology, general surgery, orthopedics, radiology, internal medicine, and and various healthcare support services.

Without adequate nursing staff for the units and the operating rooms in previous years, many Navy physicians were unable to admit their patients and had to refer them to CHAMPUS. The nursing services contracts have enabled Navy hospitals to increase their workload. In the same vein, contracts for support services in radiology, pharmacy, and laboratory have strengthened the capabilities of the direct care system, protecting the quality of care offered by our physicians and nurses.

Catchment area management, partnership agreements, and Veterans Affairs sharing agreements are other approaches being used to increase access to Navy medical treatment facilities. Navy medicine's Family Practice demonstration projects at Naval Hospitals Rota, Spain, and Newport, Rhode Island, will allow case management of all beneficiaries assigned. In this program, all families are assigned a family physician who emphasizes continuity of care, and for whom we provide the needed support. These are real success stories. At Naval Hospital Rota, 90 percent of the population is enrolled. Naval Hospital Newport has more than 60 percent of its population enrolled and that number will increase this year as more Family Practice physicians arrive. Also in Newport, each ship and school has been assigned a primary care physician. This approach draws from the historically successful relationships we have seen between our flight surgeons and their squadrons. Patient satisfaction is increasing--go to the exchange or commissary at Newport and ask a sailor or his/her dependent the name and phone number of their family physician; they can tell you. This is not a completed program for improving access to care and better health for our

people, but it is a very successful beginning. We are hopeful that we will be able to establish a third Family Practice hospital at Lemoore, California, in 1990; and the model will be installed at additional hospitals just as fast as we have the staff available for assignment. To nurture this program, we are reestablishing our Family Practice residency training program at Naval Hospital Bremerton, Washington this year. In addition to improving beneficiary access and care, the Family Practice projects will make better use of our Family Practice physicians, increasing their professional satisfaction and, hopefully, their retention. I am convinced that the Family Practice Hospital is the correct model for most of our Navy hospitals. It is a natural fit with the life and work styles of our Navy and Marine Corps families and is the most effective way to meet their needs as they move to a retired life. As additional Family Practice physicians become available we will, of course, assign them in accordance with our staffing priorities: first overseas; second, isolated United States facilities; third, residency training hospitals; and then, all remaining hospitals. All of these efforts have two goals: increased access to quality care for our beneficiaries and containing our escalating CHAMPUS costs. We are meeting these challenges.

More control is being exercised over CHAMPUS costs through projects which authorize the use of CHAMPUS funds by the military treatment facility for healthcare services recaptured from CHAMPUS. Eleven Navy military treatment facilities have requested approval to implement projects designed to provide care to CHAMPUS patients at the military treatment facility that would otherwise have been obtained under CHAMPUS. These projects are primarily designed to put a cap on our costs for mental healthcare services, while continuing to offer the comprehensive services our people need.

Our system is back on course, gaining momentum, and performing well. The critical management indicators all point in the right direction; workload is up, CHAMPUS nonavailability statements are down and our customers are generally more satisfied with the level of services available today than they were even a year ago. Based on feedback from Navy and Marine Corps personnel in California, it appears that the CHAMPUS Reform Initiative (CRI) has resulted in an increase in their access to care. We also have seen a significant increase in resources sharing and partnership arrangements under CRI. From the patient's point of view, I believe CRI has largely achieved its healthcare access objectives.

I must also tell you that we could be doing even better! The relationship between the number of providers working in our treatment facilities and our costs for CHAMPUS in the obstetrics and gynecology specialty is representative of many of the challenges we face in balancing our fiduciary role as prudent healthcare purchaser and quality healthcare provider.

There is a direct relationship between the number of uniformed providers, births in our facilities and the number of nonavailability statements issued by our facilities. We are implementing specialty plans at our treatment facilities which are designed to make these relationships work as much as possible to the advantage of our customers and ourselves. Using this specialty as an example we are vigorously expanding our family practice model to enroll more of our patients with organized family practice programs.

We are also increasing the number of nurse midwives to help bring this workload back in-house. Further, we must do all we can to recruit and retain our obstetrician/gynecologists. These physicians are especially valuable since they have readily transferrable surgical skills which can be applied to combat casualty care. The

Assistant Secretary of Defense (Health Affairs) has decided to eliminate a redundant training requirement which was heretofore required of OB/GYNs in order to fully qualify for Incentive Special Pay (ISP). However, that decision has not been implemented. We will also examine the effect of moving them to a higher level of ISP in the Medical Officer Retention Bonus. We are reassessing the need for an accession bonus to purchase the professional liability insurance indemnity buy-out or to pay off medical education debts, as ways to recruit trained specialists and entry-level physicians to meet our specialty needs.

QUALITY IMPROVEMENT IN THE NAVY MEDICAL DEPARTMENT

From November 1987 through June 1989, the Civilian External Peer Review Program (CEPRP) reviewed 41,352 of 1,204,082 cumulative discharges from Department of Defense (DoD) Military Treatment Facilities (MTFs). Of these cases, 98.4 percent met the standard of care. Of the 662 cases (1.6 percent) determined not to meet the stated standard of care, the Navy rate was less than the mean for the Department of Defense.

Navy Medicine is also meeting the challenge of the Defense and Navy Departments' efforts to ensure the highest order of management effectiveness. Our goal is to develop systematic defined procedures which will facilitate improving the quality, and therefore the productivity and efficiency of our operations. The Navy Medical Department is quickly becoming a leader in this area. As early as the summer of 1989, we took our first step in fostering quality improvement by setting our direction and purpose in the Navy Medical Department Guiding Principles. These principles serve as a common set of values to strive towards the continuous improvement of healthcare delivery and management. (A copy of our Guiding Principles is attached at the end of this statement.)

I have appointed a Quality Management Board at the Bureau of Medicine and Surgery to provide overall guidance and policy coordination in the Naval Medical Department. This step was followed by my Commanders' Conference in September of 1989 which focused on improving our healthcare system through qualitative efficiency.

We are also developing a strategy to quickly and thoroughly implement standardized methodologies for achieving excellence in Navy Medicine. By adopting these strategies at all levels of our organization, we can fully exploit our capital

resources, realize a more efficient, productive operation, and thereby meet the needs of more of our patients and increase the overall satisfaction of all of our customers.

HEALTH PROMOTION

Another way to increase access to those who really need it is to reduce the demand for services now placed on the system. The Navy is investing in health promotion programs designed to keep people healthy, and therefore out of the acute care system. Our goal is to prevent our beneficiaries from becoming patients by encouraging them to assume more responsibility for their own health through simple, fundamental lifestyle changes. This includes putting emphasis on periodic medical checkups, physical fitness, proper nutrition, cessation of tobacco use, reduced alcohol intake, stress and hypertension management, elimination of drug abuse, HIV (AIDS) education, and use of seat belts. There are three compelling reasons we must invest in these programs: they save lives; improve quality of life; and save dollars. One ounce of prevention IS worth a pound of cure.

MANPOWER AND PERSONNEL

INTRODUCTION

We are beginning to see the results of our initiatives to improve recruiting and retention of medical department officers. Medical Corps strength is better now than at any time since the post-Vietnam drawdown. In fiscal year 1989, 120 Medical Corps officers were recruited into the Navy. As of January, 45 Medical Corps officers had been recruited for this fiscal year. Nurse Corps recruiting is equally encouraging with 153 new accessions, 77 of which are Nurse Corps Bachelor Degree Program participants scheduled for appointment this fiscal year.

NURSE CORPS

The national nursing shortage continues to challenge our nurse recruitment and retention programs. While enrollment in nursing programs rose 5.8 percent in 1989, the demand for nurses continues to increase. The Bureau of Health Professionals -- U.S. Department of Health and Human Services -- is forecasting a 30 percent shortfall of nurses in just ten years. In seeking solutions to this problem, a tri-service military nursing compensation task force, working concurrently with a Department of Health and Human Services (HHS) study group, identified many of the same issues that were published in the "Secretary's Commission on Nursing" final report (December 1988). Needed improvements in the work environment, education criteria, staffing patterns, compensation, and others were addressed by both groups.

The recruitment initiatives recently approved, such as the $5000 accession bonus, will help make us more competitive in the nursing personnel market place. The nurse scholarship programs are highly effective. There is active interest in the Bachelor Degree Completion Scholarship Program (BDCP) which, as a short term recruitment initiative, was expanded in April of 1989 to include nurses. The initial

authorized number of ten, was quickly reached and exceeded. The Nurse Corps Bachelor Degree Candidate Program is now authorized to have 250 students and we processed 231 applicants through January.

While it is still a bit too early to draw meaningful conclusions about their full effect, we are optimistic about nurse participation in the Nurse Corps Candidate Program (NCCP) and the Naval Reserve Officer Training Corps (NROTC) Scholarship Program, although the Congressional limitation on NCCP sites is a problem. Enlisted personnel of all rates can now apply for the Medical Enlisted Commissioning Program (MECP) and this year we again had a very competitive selection process. No single recruiting tool can satisfy all needs; each of these successful programs attracts nursing professionals from different sources. Individually, they address relatively small market segments; collectively, they constitute a powerful package of Navy nurse recruiting incentives. All of these programs need to be continued for they are the lifeline for future accessions. We expect to maximize participation in all of our scholarship programs to replace expected nurse personnel losses.

Retention remains our number one priority and needs continued improvement. The Director, Navy Nurse Corps recently compiled a list of over 50 retention initiatives that are in place throughout our healthcare system. The list is in the hands of hospital Commanding Officers and Directors of Nursing Services for their use in counselling Nurse Corps officers. These initiatives are focused on professional practice, communication, work environment, personal satisfaction, career development, continuing education, individual recognition, compensation, promotion, flexible scheduling, subspecialty groups concerns, and many other areas. The Nurse Corps retention and recruitment task force continues to examine and develop new initiatives to resolve the issues addressed within the Nurse Corps community.

We are continuing to have difficulty recruiting and retaining certain nurse specialists. The recently published University of Texas nursing salary survey causes additional concerns about nurse anesthetists in particular. To avoid further erosion of our ability to provide surgical services in the direct care system and be more cost effective, we must improve the retention rates of these nursing specialists. The Incentive Special Pay (ISP) of up to $6000 per year for Certified Registered Nurse Anesthetists (CRNA) should be continued beyond the September 1991 limit if it is to have a sustained effect on retention of experienced anesthetists. In addition to increased salaries for nursing specialists, the Texas survey shows nationwide salaries for civilian staff nurses increased 5-10 percent in 1989. Base salaries rose to a range of $26,000 to $37,000. We will be watching the effect of this growing compensation issue.

The use of non-baccalaureate nursing degree nurses in the Navy currently includes accessing associate degree (AD) registered nurses who have a health-related bachelors degree, and diploma registered nurses as commissioned officers in the active or reserve Nurse Corps. To provide an additional opportunity for AD registered nurses to have a military career, the Secretary of the Navy has established a Warrant Officer (WO) technical nurse community. Plans include initially assigning these registered nurses to our four major teaching hospitals, offering a career path to Warrant Officer-4 within the specialty, having a community size of 200, and opportunity to compete for education leading to a BSN and a commission in the Nurse Corps. The warrant officer nurse will provide direct patient care on the general medical and surgical units and thereby provide us greater overall nursing capability.

To further increase the numbers of direct care providers on our units, the new advanced care technician hospital corpsman specialty, now in the final stages of development, will be implemented in fiscal year 1991.

Utilization of more senior-rated and experienced corpsmen on nursing services has been expanded through implementation of the Senior Ward Corpsman initiative. Hospital commanders have responded favorably to recommendations to assign senior Petty Officers to this managerial and corpsman mentoring role which allows Nurse Corps officers to spend more time on patient-related tasks.

We continue to work with the Chief of Naval Personnel to alleviate the promotion disparity for nurses in legally controlled grades (O-4 through O-6). We must resolve these constraints which result in promotion inequities for the Nurse Corps if we are to maintain an adequately balanced grade structure and retain experienced career-oriented nurses. Another initiative we continue to evaluate is the Federal School of Nursing. I support a program that is cost competitive with other scholarship programs, is equally effective, has similar obligated service, and can be funded without affecting other high-priority programs that currently exist and are effective retention tools.

We must balance our recruiting and retention initiatives to provide adequate professional practice compensation for our new as well as our proven and experienced officers. These, and other retention and recruitment incentives, will continue to be evaluated and monitored as methods to attract and retain the nursing personnel that we must have to meet our commitments.

MEDICAL CORPS

Medical Officer Retention Bonus

The first year of experience with the Medical Officer Retention Bonus (MORB) provided us with initial indications of effectiveness and limitations. The Center for Naval Analyses in their initial study of the impact of the fiscal year 1989 MORB has found preliminary indications that the MORB already is having some positive effects on short-term retention in the medical specialties. It is difficult to interpret the one year retention rates for fiscal year 1989 in the context of the MORB because the MORB involves at least a two-year contract.

Preliminary results from fiscal year 1989 show increased retention among MORB-eligible specialists and decreased retention for the non-MORB-eligible group compared to fiscal year 1988. For the short term there has been increased retention in the aggregate and that improvement has occurred among the MORB-eligible physicians. The increase in retention is somewhat greater than expected.

Several factors appear to have limited the effectiveness of the MORB in improving long-term retention. First, because many unobligated physicians did net meet the eight-year length-of-service eligibility requirement, the maximum effect the MORB could have on the aggregate retention rate was limited. This is due to the fact that historically specialists who leave active duty do so immediately after completing their obligated service for specialty training. The major potential impact point occurs before MORB eligibility.

Second, at current authorized levels the MORB makes only a moderate reduction in the expected gap between civilian pay and military pay for the high-paid specialties. Third, for physicians not willing to lock themselves into a four-year contract at the present time, the financial incentives for two- and three-year contracts are

relatively less effective than the incentive for the four-year contract. However, this is most apparent in the lower-paid specialties where retention is already high, and a high take-rate was not anticipated.

Overall Navy MORB-eligible physicians participated in the MORB at a rate of 60 percent, somewhat higher than expected. Among surgeons, who historically have been hard to retain, the take rate was nearly a 60 percent rate. Conversely, only one-third of eligible orthopedists participated. This suggests that MORB did not close enough of the very large civilian-military pay gap for orthopedics. Family Physicians, who have a high continuation rate, had a take rate of 75 percent rate. In my opinion, this **does not** mean that the MORB compensation for primary care providers should be reduced or eliminated, but rather should be kept to maintain a healthy inventory of primary care specialists. **MORB is necessary and should be maintained.**

The MORB changes in the fiscal year 1990 National Defense Authorization Act corrected the eight-year eligibility limitation discussed above. Many more specialists are eligible for the MORB this year. Most important, any specialist who is facing a stay-leave decision point will, by definition, be eligible for the MORB. This should further increase the effectiveness of the MORB. The FY-90 National Defense Authorization Act also clarified, to a significant degree, the long-term picture for physician compensation.

Physician Recruiting and Retention

Improved retention should result from other personnel initiatives being implemented. The number of Armed Forces Health Professions Scholarships continues to increase, reaching 1300 this year, including the financial assistance program. Increased graduate medical education opportunities are also allowing us to retain physicians.

Recruiting initiatives have also contributed to our growing physician inventory. We have placed additional recruiters in the field and dedicated resources to recruiting medical personnel. Also, once a physician prospect is identified, we have implemented a "one-stop-shopping" program in which the candidate comes to Bethesda for a physical and interviews. At the end of the second day the candidate is offered an appointment, or told why an appointment cannot be offered. One important net result of all of the recruiting initiatives is that the average time for processing a new candidate has been reduced from 120 days to 60 days.

Most significantly, I am happy to report that we will likely achieve our goal of 4505 physicians in fiscal year 1993.

DENTAL CORPS

Our continued ability to recruit and retain qualified general and specialty trained dentists is a growing concern. Problems once viewed as "just over the horizon" are now at our doorsteps. The supply of graduating dentists is shrinking, the economy is improving and there is an increased demand for dental services in our society. The percentage of graduating seniors considering government service has dropped 50 percent, to 10.6 percent, over the last decade. Competition with the civilian marketplace for dentists is intensifying. First year dental school enrollments are at their lowest in 20 years and are projected to continue to decline through 1997. Diminished class size, closure of five dental schools, and mounting education debts for all healthcare professionals, which are difficult to liquidate on entry level military pay, jeopardize our ability to attract qualified dentists and maintain endstrength. In 1989, thirty-two percent of graduating seniors had debts greater than $50,000. As the pay disparity between military and civilian dentists widens, particularly in the specialty communities, arguments supporting recruitment/retention in the military of our highly trained dentists in the military are greatly diminished. The pattern is clear. Failure to act could well result in forcing our people to endure additional hardships similar to those caused by the significant shortages of physicians and nurses, and reduced dental readiness in the fleet and Fleet Marine Force.

MEDICAL SERVICE CORPS

The Medical Service Corps continues to remain the most stable community in the Navy medical department despite the broad diversity of administrative, clinical, and research backgrounds. Retention rates for the last five years have consistently exceeded ninety percent. Except for selected specialties, recruitment remains good.

Our clinical specialties are the most sensitive to fluctuations within the civilian healthcare environment. For the first time mounting educational debts are beginning to effect our clinicians. We have taken several actions to redress our Medical Service Corps recruitment and retention problems. Our clinical psychology internship program has been doubled to enhance the primary accession base; and entry age waivers have been authorized to expand the available pool of eligible applicants for clinical psychology, pharmacy, optometry, and occupational therapy. We have, for the first time, authorized entry grade work experience for pharmacists. We are creating separate departments of mental health with clinical psychologists as department heads and separate departments for optometry.

During fiscal year 1989 we saw a major realignment of our Physician Assistant (PA) community as 88 Physician Assistant Warrant Officers were sworn in as Medical Service Corps (MSC) officers. In addition to our fiscal year 1990 Physician's Assistant direct accession goal, we will again offer the MSC conversion opportunity to qualified PA warrant officers. Fiscal year 1989 also marked the reactivation of our Physician Assistant inservice training program. Twenty-five Naval Medical Department enlisted personnel were selected for the 2-year training. This training pipeline is vital if we are to meet our Physician Assistant specialty requirements in the future.

ENLISTED PERSONNEL

In the Medical Department enlisted communities, fiscal year 1989 saw the beginning of positive results of actions begun in fiscal years 1987 and 1988.

In fiscal year 1987 and 1988, Graduate Medical Education (GME) suffered because of unsatisfactory manning in supporting technician specialties. Enlisted "A" schools required modification because the graduates were not prepared for the challenges in their respective scientific fields. The qualification scores for entry into "A" school were discovered to be too low and allowed entry of recruits who were not qualified to attend advanced technical schools. Hospital Corps "C" School seats were not being filled nor were sufficient quotas available to appreciably increase manning in many of 36 Hospital Corps specialties. Although manning overall was at or above 100 percent, the proper mix of general and specialized Hospital Corpsmen was inadequate and retention was below the Navy average in GME supporting specialties.

Today, the health and welfare of our enlisted community has improved. We raised the Armed Services Vocational Aptitude Battery (ASVAB) score for entry into Hospital Corps "A" School and lengthened the school by four weeks to accommodate a combination of cognitive and task-based training rather than solely task based training. This action enables us to produce a more capable hospital corpsman who is prepared to accept the day to day challenge of a demanding scientific field. We are filling almost all of our annual training quotas.

In past years, we had an imbalance between manning the general and technically trained Hospital Corpsmen. We continue to have no difficulty filling our entry level schools and we are achieving a better balance between the general and technical Hospital Corpsman as a result of carefully targeted use of Selective

Reenlistment Bonuses (SRB) and Navy-wide quality of life initiatives. We are also seeing a much-needed increase in Hospital Corpsman retention.

The Dental Technician community continues to achieve a balanced manning posture at approximately 97 percent. We hope to increase the number of dental technician billets to improve chairside technician support for our dentists. We expect continued improvement to achieve a better posture in the enlisted communities of Navy Medicine by the end of fiscal year 1990. Without the support of these professionals our system would not be able to respond to the demands placed on it.

RESERVE PERSONNEL

The Selected Reserves are an integral part of the Navy's healthcare delivery team. They provided over 600 man-years of support to the active Medical and Dental Treatment Facilities around the world this past fiscal year. Much of this support was provided in critical specialties during times of acute need. In recognition of the importance of the Reserve Force and their continuing contribution to the mission of Navy Medicine, and to ensure they are fully integrated into the day-to-day operations of our system, I have created a senior staff office at BUMED to address all areas of reserve support (operational readiness, peacetime training and mutual support) and to ensure that these areas receive attention at the headquarters level. The Bureau of Medicine and Surgery will provide to the Reserve Force technical assistance and guidance and interact with them as it does with the military treatment facilities under line Navy control.

I am especially grateful to the Congress for making legislative changes needed to convert two reserve Medical Corps flag authorizations to one Medical Service Corps and one Nurse Corps flag officer position. The persons selected for these two new positions should be announced shortly.

The Reserve enlisted community continues to grow to meet its expanding role. The Hospital Corps is now manned at 93 percent; this is up from 86 percent last fiscal year. The Dental Technician community is manned at capacity. The innovative Reserve Allied Medical Program (RAMP) continues to "grow" our technician specialties and allows us to get well in critical manpower areas. Two sustainment training avenues have been developed, proficiency courses and tri-service shared training opportunities. With these programs and the interactive video training systems already in place, I am confident that our Reserve Hospital Corpsmen and Dental Technicians

will be ready to meet their wartime mobilization missions while making significant contributions to our peacetime healthcare delivery system.

Over the past year the Reserve Force has improved its manning levels and training readiness. While shortfalls of physicians and nurses exist against wartime requirements, in the selected reserve the Medical Corps is now manned at 100 percent and the Nurse Corps is now manned at 85 percent. I will continue to rely on the expertise and energy in the Reserve Force to provide clinical mutual support; a program that pays a peacetime healthcare dividend while increasing mobilization readiness.

CIVILIAN PERSONNEL

Our civilian personnel represent nearly twenty-seven percent of our total workforce. These clinical and support services personnel are an indispensable part of the Navy healthcare team, providing the long-term continuity as our military personnel rotate to new career assignments.

The total number of civilian personnel we have onboard, 12,514, is the highest in years. However, as with our military healthcare professionals, we have had problems in recruiting and retaining clinical and clerical personnel in high-cost metropolitan areas. Even considering this, however, we have been fairly successful in hiring the civilian personnel needed to support our treatment facilities. The additional resources Congress provided in fiscal year 1989 to buy back much needed support and clerical staff has been a big help. These personnel have relieved our physicians and nurses from a large part of the routine administrative tasks thereby increasing their productivity. We have hired civilian nurses where we could successfully compete in local markets. These nurses comprise about one-fourth of the total nursing staff and are a vital part of our healthcare team. In fiscal year 1990, with the help of Congress, we are planning to hire more professional nursing staff, technicians, and administrative support personnel to maximize in-house workload. Job fairs, co-op programs and special pay initiatives have helped recruit the traditionally more difficult-to-hire personnel such as nurses and pharmacists. We will continue to use these initiatives to the maximum extent possible.

We need to closely examine our competitive position in certain markets. In some regions, such as Washington, DC, federal salaries for highly trained and experienced healthcare personnel simply are no longer competitive with local wage levels. Also, we are examining the utility of recommending elimination of the

Congressionally mandated "dual compensation" prohibition for healthcare providers and eliminating the 180-day waiting period before retired military personnel can accept civilian healthcare positions in defense activities.

PERSONNEL SUMMARY

The tables below illustrate our current manpower status. Significant progress has been made in every area. We expect to see even greater progress this year dealing with the tenacious problems associated with recruiting and retaining nurses. I hope that as a result of this progress, and in the near future, we can begin relying more on our own uniformed and direct hire civilian personnel in lieu of many of our present contract arrangements.

ONBOARD PERSONNEL

	FY 88	FY 89	FY 90*
MEDICAL CORPS	3929	4060	4000
NURSE CORPS	3068	3000	2939
DENTAL CORPS	1679	1696	1670
MED SERVICE CORPS	2534	2685	2727**

*End of Jan 90

**Includes 95 Physician Assistants

RECRUITING SUMMARY

	FY 88		FY 89		FY90	
	GOAL	ATTAINED	GOAL	ATTAINED	GOAL	ATTAINED*
MEDICAL CORPS	150	84	241	120	182	57
DENTAL CORPS	81	61	90	69	78	41
MEDICAL SVC CORPS	141	206	273	215	256	136
NURSE CORPS	376	235	425	300	580	174

*End of Jan 90

Our direct healthcare providers work under the protection from personal liability offered by the Gonzalez Act (Title 10, United States Code, section 1089). In the case of our active duty and direct hire civilian personnel, the U. S. Government indemnifies

our personnel practicing outside the United States. Our contractor personnel are protected by indemnity policies purchased by their employers. It is time that we carefully consider extending the protection offered by the Gonzalez Act to all persons providing healthcare services under our direction. This is particularly true for our active duty and direct hire civilian personnel practicing outside the United States. The benefits to be gained include significantly reducing our contract costs, bringing equity to the liability risks of our providers, and helping to ensure a single standard of care for our patients.

I am concerned about the language in the Department of Defense Authorization Act for Fiscal Year 1990 which directs us to increase the obligated service requirement for students of the Uniformed Services University of Health Sciences from seven to ten years. I believe this directive will severely limit our recruiting potential for this vitally important program. The risks of waiting until we see the effect of the change are much too great to take a wait and see approach. We cannot afford to be effectively locked out of certain recruiting markets while we test the effect of this change. I implore you to reconsider and remove this potentially harmful directive.

The bottom line for Navy medicine is our people; our providers and our patients. The following excerpt from a letter, written by a former patient, Annette Donner, to the *ROTA Coastline*, a Naval Station newspaper eloquently captures my own feelings about the dedicated professionals working in our system today:

> Unless you get sick, you'll never see them in action, but (you) should know they're there daily, doing like clockwork what they're trained to do, in true team effort, each cog meshing as the wheel turns out the essential daily healthcare procedures for their individual patients and their specialized needs. Daily routines, sometimes boring, sometimes less than pleasant, but always done with smiles, enthusiasm and words of encouragement for the patients. Not to mention the always present professionalism, dedication and sense of confidence they have in their own skills.

MEDICAL READINESS

The rapidly evolving and dramatic worldwide events of the last few months are forcing all military readiness planners (including medical) to sharply refocus their view on how to best counter "the threat." The threat as we have known it during the last decade has been, and is currently being, significantly redefined.

Although reforms under the present Soviet hierarchy and the resulting move toward democratization in Eastern Europe would seem on the surface to reduce the threat posed by the Warsaw Pact, I believe we must still resist the temptation to slash outlays in the medical readiness area. More than ever, I concur with the assertion of others that we should let strategy drive the budget rather than the other way around.

The Navy's inventory to medically support the Fleet and Fleet Marine Force in whatever contingency scenario they may find themselves--be it humanitarian assistance, low intensity conflict or drug interdiction--contains several sophisticated pieces of hardware. We now have two full-service, state-of-the-art hospital ships. Each ship has 12 operating rooms and 1000 beds supported by the highest quality of ancillary support, such as laboratories, x-rays, and CAT scan equipment, found at shore-based Navy medical treatment facilities. During peacetime, the USNS COMFORT, homeported in Baltimore, Maryland, and the USNS MERCY, homeported in Oakland,California, are maintained in a reduced operating status. Each ship has the capability to sail within five days of receipt of its sailing orders with its fully augmented operating crew of approximately 1200 active duty medical personnel.

We also now own 17 fleet hospitals with an aggregate bed capability of 7,750 beds. Last December our eighth Fleet Hospital was prepositioned overseas, thereby closing-in on our previously stated objective that Navy Deployable Medical Systems be prepositioned at or near their intended place of use. Overseas prepositioning sites

include Norway, Japan, and Guam as well as a 500 bed combat zone Fleet Hospital which is stored afloat in the Indian Ocean. These Fleet Hospital assets along with hospital ships and other theater assets represent about half of the Department's wartime theater bed requirement. I am firmly committed to maintaining the existing Fleet Hospital inventory at a "ready for combat" state. Accordingly, I am pressing for your continued support of the Fleet Hospital Program.

RESEARCH AND DEVELOPMENT

I have mentioned in previous hearings that we were excited about our progress toward developing pourable wound dressings and longer shelf life for frozen blood. The wound dressing is a reality! The corpsman on the battlefield now has an effective life sustaining treatment that will increase the probability that casualties will reach definitive care units alive and with minimal permanent injury. We are now developing antibiotic beads which will be put directly into the injury and work in concert with the pourable wound dressings.

The Food and Drug Administration recently approved our program to freeze blood for 20 years. This is a watershed event for the future of combat or disaster casualty care. It is, however, only the beginning. Before the blood can be used it must be washed. One liter of blood must be washed with three liters of water before it can be transfused. The logistics of moving, storing, and redistributing such large volumes of sterile water are prohibitive. Therefore, we are developing a system to render potable water, wherever found, suitable for washing the frozen blood. We expect the system to be operational in fiscal year 1992.

The next step we hope to take is using freeze dried blood. We would still need the water to reconstitute the blood, but a major part of the storage and distribution problem would be reduced. The budget you are reviewing contains funding requests

for these and other equally exciting and important medical research and development efforts. I also solicit your support for the Army's infectious disease research program as the lead agent for the Department of Defense human immunodeficiency virus (HIV) research project.

BUDGET OVERVIEW

I deeply appreciate Congressional efforts to provide us the adequate resource base to do our mission. The Fiscal Year 1990 Department of Defense Appropriations Act, section 9052, allows the Services to "...transfer prior year unobligated balances and funds appropriated in this Act to the operation and maintenance appropriations for the purpose of providing military technician pay and Department of Defense medical personnel and programs (including CHAMPUS)..." Additionally, it provides that the collections shall be offset within the appropriations to which transferred; a provision which effectively nullifies the increase in funding authority you apparently intended to provide to solve funding problems. We would like to have the ability to use these unobligated balances without the neutralizing effect of offsets.

The budget you are now reviewing requests resources which are vital to continuing our efforts to improve the Navy healthcare system. Our operation and maintenance medical program funding is relatively level from fiscal year 1989 to fiscal year 1991 at approximately $2.0 billion (constant dollars). The additional in-house support provided by Congress in fiscal year 1990 ($50.0 million) is retained in fiscal year 1991 resulting in equal offsetting CHAMPUS savings. We plan to continue to invest in our contracting initiatives so we can increase access for our patients and avoid the costs of CHAMPUS. In addition to the fiscal year 1990 personnel increases we will be hiring 194 additional medical personnel to continue to improve the efficiency of our healthcare providers.

I also need your support for our Navy medical military construction projects sponsored by the Defense Medical Facilities Office. Our request includes $40M for Phase II of our replacement hospital at Portsmouth, Virginia, and $10M to build storage facilities in the United Kingdom and Cheathem Annex, Virginia for fleet

hospitals 2, 8, and 9. Another Department of Defense funding item for which I would ask your support is the Composite Healthcare System being developed by the Assistant Secretary of Defense (Health Affairs). The system is essential for increased state-of-the-art efficiency and effectiveness in quality healthcare delivery and for establishing reliable data bases for strategic management of our global medical system.

CONCLUSION

We are committed to creating a management environment that enables us to link top-down guidance with bottom-up innovations resulting in informed make-buy decisions and a more responsive healthcare system.

I am installing a managed care philosophy that encourages full integration and participation of every available healthcare provider be they active duty, civilian government employees, contract personnel, personnel working in our facilities under partnerships arrangements or our own people working in civilian facilities, Veterans Administration sharing agreements, community provider networks and any combination of these valuable resources.

For our budget planning this year, the President made military healthcare one of his principle planning objectives. We are committed to a military healthcare system which will sustain and improve defense medical services and readiness in peacetime and across the full spectrum of conflict.

Using sound management decision making processes to implement proven managed care principles, we will build a Navy Medical Department for now and the future to ensure that we remain, "Standing by. Ready to assist!"

MEDICAL DEPARTMENT GUIDING PRINCIPLES

CHARLIE GOLF ONE

We are the Medical Department of the United States Navy.

We exist to ensure the best physical and mental health of the men and women of the United States Navy and Marine Corps.

We will Support the combat readiness of the Navy and Marine Corps.

Care for all persons as unique human beings worthy of our courtesy, compassion and respect.

Earn the trust and confidence of our patients by enthusiastically providing prompt access to quality healthcare.

Attend to the medical needs of the families of our active duty members, our retirees and their families, whenever we are able for just as the family supports the force, so we support the family.

Teach, for it is through education that we build the foundation for our future.

Continuously improve in all aspects of our enterprise.

We care for each other just as we care for our patients. This is the basis of the teamwork and trust that must exist for us to succeed.

We are standing by and are always ready to assist.

CHARLIE GOLF ONE

In days before radio, seafarers devised a system of communication based upon flags and pennants. Warships in battle line received visual orders from their commander. Merchant vessels plying the oceans' trade routes "spoke" by signal flag. Eventually, an international signal code evolved recognized by the navies and merchant fleets of all nations.

Almost any message that can be communicated by the human voice can be represented by a series of signal pennants. The four pennants seen flying beneath the American flag at all Navy medical facilities represent the motto of the Navy Medical Department. The topmost flag, the international answering pennant, signifies that the vessel has received a distress signal--CHARLIE GOLF--"Stand by to Assist Me"--and is responding to that request. The remaining three pennants--CHARLIE GOLF ONE--say "I will stand by to assist you." These four pennants reflect a long maritime tradition. We in the Navy Medical Department are standing by and are always ready to assist.

EFFECTS OF CIVILIAN HIRING FREEZE

Mr. HEFNER. Earlier this year, the Department instituted a hiring freeze for all civilian personnel. The Chairmen of the 1990 DOD Appropriations Conference wrote to Secretary Cheney stating that this freeze should not apply to civilian personnel working in the medical field.

Do you have any guidance from OSD on the implementation of this hiring freeze in the medical community?

Admiral ZIMBLE. Yes. We made some very strong requests up through the chain to OSD. They were very responsive.

Both the FM&P and HA were supportive of our needs, had given us initially some individual case-by-case waiver and, indeed, plan to be very liberal with the utilization of waivers, but in addition, have allowed each of the military services to have one thousand billets in the direct health care environment that we may be able to utilize.

So we were concerned about the freeze. We feel that the Office of the Secretary of Defense is being very supportive in allowing us to hire. I don't anticipate a problem.

END STRENGTH REDUCTIONS

Mr. HEFNER. The fiscal year 1991 budget includes a 5,701 man reduction in the Navy's overall military end strength. This is a net figure with the number of officers increasing and the enlisted personnel decreasing.

What is the fiscal year 1991 medical end strength level?

Admiral ZIMBLE. There are no cuts forecast for 1991 for medical. In fact, we anticipate that we will continue to get some growth. In the officer strength, we will move from a 1990 end strength of 12,240 officers to a 1991 end strength of 12,510 officers. The same applies in the enlisted community. We will see increased growth there from 30,756 in 1990 to 31,099 in 1991.

BONE MARROW TRANSPLANT REGISTRY

Mr. HEFNER. Mr. Young?

Mr. YOUNG. Thank you, Mr. Chairman.

Admiral, I want to use my time today to talk to you about something that is very exciting in my opinion in the medical world and that is transplantation of bone marrow to cure diseases which were previously uncurable and the success of this program once we were able to establish a registry to identify non-related donors.

I want to compliment, as strongly as I can, the United States Navy because if it hadn't been for the Navy, this registry may never have been established in the first place.

I remember trying to get NIH interested in the program. They weren't and it was the Navy and this committee's willingness to fund it that got it started.

We are rapidly approaching the 100,000-donor mark. Our goal is to reach 250,000, which may not be enough, but at least it will be better than it is today.

This weekend, I had a meeting with the National Board of the Registry in my district and we have several young folks there who

are beautiful people who are not going to live unless they can get a transplant, and we have not been able to get a donor for them.

I have talked to the President about whether he, as the Commander-in-Chief, could urge members of the military to be typed as potential donors.

You have a tremendous facility for the typing.

Admiral ZIMBLE. We do a lot of the typing under contract.

Let me say, Mr. Young, that one of the first initiatives when I became Surgeon General in 1987 was to learn of our participating in the marrow project. I am very proud to have participated. I understand that it is going to another agency. If it is the will of Congress to give it back, we would be proud to carry on that tradition. When I take on new projects, I love to have adequate funding to do them appropriately.

Mr. YOUNG. I understand.

Although they were reluctant to get it in the first place, I think it would be a major battle to get it back from NIH now because it is such an exciting program.

The doctor who pioneered the process works at All Children's Hospital in my district. He tells us that there have been some 60 diseases identified that can be cured through bone marrow transplantation, and to me that is a miracle.

I understand at your facilities, you do a large amount of typing now and that is why I want to ask about the capacity.

If the President, for example, decided to suggest to the Chiefs of the Services that they might want to get behind this program, could you handle a larger workload there on typing?

Admiral ZIMBLE. I would have to go back and look and see. I am sure that those who are involved would love to have the opportunity to try.

It most likely will be a resourcing issue, and if it is within your ability to give us resources, I know my researchers would be excited and those who work with blood banking and hematology, oncology folks would be delighted to have this opportunity.

Mr. YOUNG. Even if it doesn't become a program worked through the services, we worked a pilot project and we did it in my district over the last couple of weeks and the response from the public has been unbelievable.

I also made personal contacts with some of the major industries in my district asking them not only to encourage their employees to be part of the program, but also to help defray the costs of typing.

I can't believe how generous they have been in announcing their willingness to do this, so I think we are going to have a lot more demand for the typing than we have had for a while. That is good because every time you get another person in there, it may save someone's life. While the Registry is growing, one of the major problems is that we are not cutting across ethnic lines as much as we need to. A black patient with a terminal case of leukemia will very likely find a donor from another black rather than from a white; Hispanics, Jewish people, Eastern Europeans, the same way.

Do you have any suggestions on how we might expand the Registry as much as we need to in these areas of ethnic origin?

Admiral ZIMBLE. That is not in my area of expertise.

One of the advantages that you may be able to persuade our Chief Executive to look at, is that in the military we probably have better access to all ethnic groups without any barriers than most other organizations.

Other than that, other than strong forward leadership, I don't know how it would happen.

Mr. YOUNG. That was one of the deciding factors to ask him to do that, because we know the military is very representative of all racial and ethnic groups.

I have a series of questions in writing that I would like to submit to you. I would ask you to be as generous with your time as possible in responding because we really want to make this as successful as we can as quickly as we can, because people are dying waiting for a transplant.

When we know we can do it, I can't stand to see another person lose their life because we don't have it.

Recognizing your capability and growth of public interest in the program, what kind of appropriation do you think that the Navy would have to have to handle an increased workload in typing?

Admiral ZIMBLE. I would prefer to check with my experts before giving you an answer.

I will take that for the record.

Mr. YOUNG. I appreciate that.

[The information follows:]

We estimate that we can develop a pool of 50,000 donors from the Department of Defense. The number of Department of Defense donors can be adjusted based on the availability of funding.

There is no possibility of supporting this program with funds from within the Medical Department. There are no programmed funds for this work in the Program 6 Research, Development, Testing and Evaluation programs, except for the DNA-typing projects, which cannot be classified as research. There are no programmed funds in the Navy Program 8 Operations and Maintenance budget and no possibility of offsets from the direct health care funds.

The Navy Medical Research Institute (NMRI) Laboratory is the only Department of Defense HLA typing lab with international accreditation and recognition. This facility performs about 300 typings per year for Department of Defense. These are done to select the "best match" family members for those DOD active duty and eligible dependents who require a bone marrow transplant.

Of the $6 million projected for expanding HLA typing, $1.5 million of this money will be allocated to upgrade the NMRI lab and to hire personnel in order to meet the typing need within the Department of Defense. The remaining $4.5 million will be used to recruit and type approximately 10,000 to 15,000 donors per year. Because of the turnover or loss of DOD donors each year, approximately 70,000 people will have to be typed to obtain the final 50,000.

Mr. YOUNG. We are hoping that you are going to have a large increased workload because I can't find anybody who is negative towards the program and as the message gets out, I find people waiting in line to get involved.

The Congress has been supportive and I think we will have a very successful expansion of this Registry.

Thank you.

[CLERK'S NOTE.—Questions submitted by Mr. Young and the answers thereto follow:]

BONE MARROW TESTING

Question. Admiral Zimble, I want to welcome you to our Committee today and I want to commend you and your medical research

staff for the work you have done in the field of bone marrow transplantation. As you know, our nation over the past three years has established a very effective national bone marrow registry that is saving lives every day. With its success has come much media attention, but little credit for its success is given to the Navy. The members of this Committee know, though, that it was the Navy who took the lead in establishing this program when no one else, including the National Institutes of Health was interested. And it is the Navy that today maintains one of the premier HLA typing labs in the country and it is the Navy medical research program that continues to be at the forefront of the development of new and more accurate ways to type bone marrow.

Earlier today, I discussed with Dr. Mendez, the Deputy Assistant Secretary of Defense for Health Affairs, ways in which we can encourage military and civilian members of the Department and their dependents (numbering more than 5.5 million) to volunteer to be included in the national registry

Not only would this benefit people throughout our entire nation by enlarging our volunteer base and increase the likelihood of a match, but it would also benefit the more than 300 military personnel and their dependents who are in need of a bone marrow transplant each year. The Department of Defense recognizes the great success doctors are having treating more than 60 previously fatal diseases with bone marrow transplant. In fact last October CHAMPUS agreed to cover the costs of unrelated bone marrow transplants—a step that sends a very positive message to private insurance companies throughout our nation.

Finally, typing DoD personnel would also add to the national registry a better measure of ethnic, diversity that it currently lacks. As you know, the HLA tissue typing is so precise and so dependent on genetic markers that black patients in almost all cases require a black donor. The same is true for Jewish patients, Eastern Europeans, Hispanics, etc.

Last month I wrote the President encouraging him to initiate a program to encourage military personnel and their families to volunteer to have their blood typed and to cover the cost of these lab fees.

Admiral Zimble, can you give us an idea of your facilities at Bethesda and your ability to coordinate and lead this type of effort to recruit volunteers for the registry.

Answer. The Naval Medical Research Institute (NMRI), our largest medical research facility, is located in Bethesda. The Navy has played an important role in the development of histocompatibility matching for more than 20 years. Navy investigators developed the technology used for the past 20 years for growing and testing lymphoid cells *in vitro*, the mixed leukocyte culture. This technology has been central to the development of cellular immunology and has provided the major crossmatching procedure used for clinical bone marrow transplantation. Also Navy investigators helped develop methods to clone T lymphocytes *in vitro* and used this to show how the human immune system functions.

Navy investigators have continued to work closely with the immunogenetics laboratory at Georgetown University to extend histocompatibility research and define HLA antigens in minority popu-

lations. Within this laboratory, the molecular biology group has defined the molecular basis for the antigenic variation found in class II HLA antigens in the American Black population and is now going forward to define these variations in other American minority populations.

The Navy maintains its primary clinical histocompatibility typing facility at the Naval Medical Research Institute in Bethesda. This facility provides research level typing for Department of Defense personnel and their dependents who may need bone marrow transplants. This laboratory performs hundreds of typings each year. The procedures performed at a research level by this laboratory can be used to meet the needs for unrelated donor matching. The capabilities of this laboratory could be rapidly expanded to perform thousands of typings annually. Further, our experience in histocompatibility research, basic immunobiology, and technology development provide an ideal opportunity to initiate automation technology for histocompatibility typing.

As performed today, HLA typing is very expensive and time consuming. Our experience coupled with emerging DNA technologies suggest the possibility for developing a new, more rapid, cost effective histocompatibility typing method based on DNA probes. Although DNA typing methodology is still in its infancy, it is clear that no other method will be capable of matching its speed, simplicity, and accuracy. DNA technology will provide a cost effective way to subgroup class II HLA types. Thus it will become possible to perform a computer-based match for a needy recipient in less than 1 day. As part of this program, developmental funds would speed the advancement of this technology.

The Navy and the Department of Defense have closely coordinated blood program offices with access to all of the blood banks and blood donor centers within DOD. The HLA laboratory at the Naval Medical Research Institute will coordinate the solicitation and acquisition of new donors through these program offices. It is anticipated that thousands of donors per year can be added to the registry through this mechanism.

Question. Admiral Zimble, we know that the medical care budget of the Department of Defense is very tight. If we intend to give you this added responsibility, the Committee would obviously have to appropriate new funds. Can you give us for the record an estimate of the cost for such a project?

Answer. We estimate that we can develop a pool of 50,000 donors from the Department of Defense (DOD). The number of DOD donors can be adjusted based on the availability of funding. We estimate that we will need an additional $6 million per year over the next 8 years to fully appreciate our goals.

At present we support a small program of research at the Naval Medical Research Institute which is oriented toward infectious diseases and immunology. The unit also performs between 200 and 300 typings per year for Department of Defense patients who require an HLA matched bone marrow transplant. It is this unit that will be expanded to accommodate the bone marrow registry typing project. The estimated amount of funding is $400,000, which covers personnel and a support contract for minority-group typing problems.

Question. Admiral Zimble, because the Navy used to oversee the national bone marrow donor program, you have a good working knowledge of its inner-workings. However, an undertaking of this size and scope, linking the Department of Defense with the program, will require close coordination between the Navy, NIH, and the national program directors. If the decision is to move forward with this program, it would be helpful to the Committee prior to the time we make our funding decisions, if you could work with all parties involved to prepare a plan of action to begin the recruitment of volunteer donors. Is this something you can do over the next few weeks and provide to me so I can share it with the members of the Committee in preparation for our markup this summer?

Answer. Although the Navy turned over primary administrative responsibility for the Registry to the National Institutes of Health a little over one year ago, our responsibility for the program has not been completed. We do not expect the final report for completion of the program that Navy initiated through its contract in 1986 until May 1990. The Navy continues an active involvement in the development of the registry and maintains an ex officio seat on both the Board of directors and Executive Committee of the Board. Also, we have maintained contact with the leadership of NHLBI who are currently managing the registry contracts. The Navy stands ready to support this effort in whatever role the Congress wishes. We feel that we are poised to coordinate any DoD efforts smoothly with the national registry.

It will take us several weeks to develop a Plan of Action and Milestones. However, as we envision it currently, the Naval Medical Research Institute will coordinate the addition of DoD donors into the national registry. They will be able to do much of the HLA typing but will probably have to contract out some of the typing to an independent party. The national registry may be able to supplement the typing effort. The Navy will coordinate any interactions with the national registry through the National Heart, Lung and Blood Institute (NHLBI).

[CLERK'S NOTE.—End of questions submitted by Mr. Young.]

FY 1990 AND 1991 FUNDING LEVELS

Mr. HEFNER. In fiscal year 1990, Congress increased the funding level for Navy medical programs by $50 million, and we are pleased to hear that the Navy Comptroller agreed to continue this funding level into 1991.

Are you satisfied with this funding level?

Admiral ZIMBLE. I also am pleased that the Comptroller agreed.

Mr. HEFNER. Are you satisfied?

Admiral ZIMBLE. That is an interesting question, sir.

Let me say I am never satisfied with anybody's money because I know I can spend it all very successfully. We obligated all but about—I don't remember the number—but it was in the five digits. Around $47,000 was all that we had left that we didn't execute from our budget last year and we spent it all very well.

Yes, I was satisfied with the budget when it was first planned, but we all recognize that it is a long and arduous process by which budgets are planned; sometimes an arcane process. I was very satis-

fied that it met my expectations at that time. Health care delivery in the United States is probably the most changing, chaotic industry going. The costs are soaring and if I had my druthers, I really would like to come in with a new figure as we look at what is happening in CHAMPUS. I am reasonably satisfied, but I have some anticipations and some anxieties over my ability to execute in that year.

MEDICAL INITIATIVES

Mr. HEFNER. Will you be able to maintain your 1990 initiatives in 1991 with this level of funding?

Admiral ZIMBLE. That is what my anxieties are, that we have a CHAMPUS bill that we must pay.

We have no control over the way CHAMPUS dollars are spent. All we do is influence some portion of our CHAMPUS dollars so as the costs escalate in the civilian sector, we have no choice but to pay the bill. We do what sailors call steering by the wake.

I want to manage health care, have the ability to do what 60 percent of the insurers for health care do, manage it, not just indemnify.

This is a little PacMan diagram that shows of the total pie of CHAMPUS dollars that we are responsible for, which comes to a little bit more than a billion dollars, that only a very small portion—only 12 percent, sir—are dollars that I can influence. I can only influence CHAMPUS that occurs in a catchment area of a military treatment facility and that represents only—I can only control the inpatient non-availability statements for CHAMPUS in the catchment area. That comes down to about 15 percent of the inpatients.

Ten percent are emergency cases and another twelve percent of them roughly are second-payer patients with another insurer as the primary payer.

That means that out of a billion dollars for CHAMPUS, I can only influence $120 million of that. So the bottom line is, I have got a tiger by the tail. I steer by the wake and I don't have control of the way health care is being provided.

I need your support and I am working with Health Affairs in being able to develop some managed care concepts similar to what we are starting to do in the Charleston catchment area. Our Charleston prototype we hope will be the success story for the way we want to proceed with managed care. That is the way to go, not just where we have medical treatment facilities, but also in those areas of the country where we have large Navy and Marine Corps populations and we don't have a military treatment facility.

CHAMPUS FUNDING

Mr. HEFNER. How much of the fiscal year 1991 request is for CHAMPUS?

Admiral ZIMBLE. It is about a third.

The CHAMPUS dollars in 1991 are $880 million.

Of that amount, there is about 37 percent of it that goes to the CHAMPUS Reform Initiative in California and Hawaii; about $330 million, as I reflect.

It is going to be very difficult to work within those constraints as we see what is happening with CHAMPUS or with civilian health care, period.

RECRUITING

Mr. HEFNER. Mr. Miller?

Mr. MILLER. Thank you, Mr. Chairman.

I notice, Admiral, in your statement you speak of recruiting. We understand that we are going to have a smaller force in the future. We are not sure as to when the reductions will come.

There undoubtedly will be a number of meetings addressing force structure between President Bush and Gorbachev, it appears that we are headed in that direction and I am concerned about the level of recruiting that is going on in this country with all the Services, and not necessarily medical, but it fits there, too, if we do not have that many men and women in uniform.

Are you planning and reaching out to see where personnel needs are going and attempting to look at the crystal ball to see what kind of a budget you would need for recruiting?

Admiral ZIMBLE. There is no question that we have to assess the threat in order to determine our requirement.

The way we currently provide health care for the beneficiaries doesn't relieve me of the responsibilities of providing health care for beneficiaries, whether dependents of active duty or retired. I don't expect that I am going to see much of a reduction in the medical workload. There will be some attrition at the front end, but those are the individuals that don't really require a great deal of medical care.

We will have a number of early retirements. Early retirements stay with the Navy and Marine Corps family in terms of health care delivery, so if anything, I am going to see a more mature, younger retired community, meaning they will spend more years before my obligation is released at the medicare age of 65.

The force that we keep will be a relatively older force with a relatively larger number of dependents, so since we have a very broad scope of health care responsibilities, I don't see where we will have much of a decrement in our total workload.

The balance will be how much in the direct care system that we wish to provide and how much in the CHAMPUS system or whatever that we wish to purchase. That balance is exquisite and we have to look at it constantly.

Right now, as far as physicians are concerned, it is much less expensive to give health care by the physicians in the direct care system in uniform than it is any other way. So we have to look at the balance both financially as well as what is our readiness posture to be in the years to come.

That is why I said that I see the decade ahead as a triple D decade, a decade of difficult decisions.

REENLISTMENT BONUSES

Mr. MILLER. I can understand why. You also mention in your statement about the reenlistment bonuses. How is that working?

Admiral ZIMBLE. It is very successful.

We need those reenlistment bonuses. We have a great number of very talented technicians in very many medical fields that are absolutely required. We could not replace them with technicians in the civilian community. They just don't exist in the right kind of numbers.

They stay with us because we do offer them some ability to compete with the civilian sector, but if I were to lose reenlistment bonuses and lose some of those valuable technicians, I wouldn't have the logistic infrastructure to support medical health care delivery in our direct care system.

CIVILIAN PHYSICIANS

Mr. MILLER. Do you need to hire civilian physicians? If so, how many?

Admiral ZIMBLE. We do that. We have a plan that we apply to almost every one of our facilities in which we look at a balance between civilian hire, which is very difficult under the current wage scale or current GS rating, or we look at military recruitment or we look at partnership programs of contracting for individual personal services and then we look for contracting for physicians in large service areas, such as emergency and acute care.

We do a great deal of that. I will give you a total breakdown of where we are and what our plan is over the next two years.

Mr. MILLER. I would appreciate that.

[The information follows:]

The planning strategy that has been developed takes into consideration our limited personnel resources in relation to demand for health care. To make the most of our facilities and limited personnel resources and to provide access to the widest range of care, our planning strategy is built on local assessments of our beneficiaries' health care needs, the staffing and capabilities of our treatment facilities, and health care resources available in the local communities. We are considering the entire community of health care services when determining level of health care needs and evaluating alternative means of meeting those needs. Our Planning and Analysis division began working last summer on plans for distributing Navy uniformed providers and has now completed plans for several specialities, including emergency medicine, obstetrics and gynecology, and internal medicine. Several other specialty plans are approaching completion and we intend to have plans for all specialties completed by late summer 1990 for full implementation in fiscal year 1992. Based on the results of these plans, uniformed providers will be distributed according to established staffing priorities: operational, outside continental United States (OCONUS) medical treatment facilities (MTFs), isolated CONUS MTFs, graduate medical education, and all other MTFs. We will ensure that active duty members and their families in overseas and remote locations have health care services available and have the appropriate number of active duty specialists and primary care physicians to provide that care. Within CONUS, MTFs that do not receive a sufficient number of uniformed providers to meet their total catchment area requirements will pursue plans for alternative methods of health care delivery—contracts, partnership agreements, and other cost-effective solutions.

HOSPITAL SHIPS

Mr. MILLER. We spoke this morning about the Navy's hospital ships.

We have the two. I recall a few years ago when money was furnished for these ships from this committee, and I understand that one ship, at least, was in the Philippines a year or so ago. Apparently it is not now.

My main purpose in asking the question is that we have a lot of dollars tied up in these ships and at wartime, yes, we need it, but in peacetime, it seems that we could utilize the ships more if we have to have one off the East Coast and one off the West Coast.

Also, it seems from your statement that there are other ships. Do we have 12 hospital ships?

Admiral ZIMBLE. No, sir. We have two ships which we classify as hospital ships, the USNS COMFORT and the USNS MERCY. Then we have three classes of ships that we use for combat casualty receiving.

The most recent is the LHD, the WASP. They have six operating rooms and about a 600-bed capability, very austere and meant for combat casualty care.

We have five LHAs, the previous generation of amphibious assault ship with four operating rooms and a four-to-five hundred-bed capability. The first of those ships, we have, I think it is, seven LPHs. The original landing ships—seven LPHs, five LHAs—those ships are designed for amphibious assault. They do have a backfield capability of providing good primary casualty treatment care, but they are not designed as hospitals.

Mr. MILLER. They are not designed as hospital ships?

Admiral ZIMBLE. No, sir.

Mr. MILLER. But they could be used——

Admiral ZIMBLE. Let's go to the ships that were designed as hospital ships first, the COMFORT and the MERCY.

They are both converted San Clemente-type tankers, 984 feet in length with a beam of 105 feet. They have a draft of about 40 feet. They displace 72,000 tons. They are, next to our large carriers, about the biggest ships we have in the Navy.

If we were to use them for hospitals in peacetime along the Coast, we would have to make an investment for shore support that would be very significant, parking facilities for our patients, utilities, waste disposal meeting EPA standards.

They are also designed for combat care, not designed as a standard of care facility with the type of hospital rooms that our patients come to expect in peacetime and we have no outpatient clinics, so we would have to reconfigure those ships and that would probably be an investment in the millions.

The free board is 47 feet, meaning the patients would have to climb a very significant ladder.

I offer you the invitation to let us show off the ships. I am very proud of them. But they really don't adapt well for peacetime hospital usage in the United States.

The shakedown cruise of the MERCY to the Philippines was a great triumph. The news was too good to get the main headlines, so it was underreported.

We spent four months on a tour of the South Pacific in the Philippines. We saw about 60,000 patients, including 200 major surgery cases. We did simple surgery, but surgery that makes great impact such as making the blind see through cataract surgery and the lame walk. We taught health care providers so that when we left we didn't leave a vacuum behind.

There is an investment in making that sort of an endeavor. We used active duty and reserves from all three Services and the

Public Health Service in order to accomplish that mission, and it was not without cost, but I think it says a lot for the value of the United States Navy and it makes a great image in the various ports.

Mr. MILLER. I think that is important for that to be on the record and I appreciate it.

Thank you.

Thank you, Mr. Chairman.

NEW ORLEANS DEMONSTRATION PROJECT

Mr. HEFNER. Mr. Livingston?

Mr. LIVINGSTON. Thank you, Mr. Chairman.

Admiral, welcome. You do have a difficult job in managing the resources that you have. I just hope that you will play a strong role in OSD's effort to find alternatives to CHAMPUS.

They have been trying for several years and struggling to put together programs that the private sector can participate in and, for one reason or another, those attempts have been unsuccessful.

There was to be a demonstration project in New Orleans and we understand from this morning's testimony that that is on track, and, perhaps, the contracts can be let by September, but to the extent that you can pitch in, we would appreciate it.

I have spoken with a number of people and received a number of letters from constituents in the greater New Orleans area regarding reductions in medical care, including pharmacy cuts, that are occurring in the Naval Clinic at Belle Chasse and the outpatient clinic at Hebert Hospital there. Apparently some prescriptions and medications that were once available at the pharmacy and the clinics have been discontinued altogether and in some places been replaced with generic medications that are normally not the choice of most beneficiaries. A number of these once-available medications or prescriptions, including insulin, were primarily used by the retired population.

Presumably, more resources could be concentrated on the active duty population, but there are also a number of complaints about long delays before service, and an inadequate number of military providers for the demand.

I will say that the people I have spoken with have been very pleased with the personnel and the service that they have received. They actually are most pleased about that and have said so quite publicly on radio talk shows that I have engaged them with, but we now hear that another physician billet could be lost shortly.

I just heard you say in your opening statement that you actually increased personnel in 1988 and 1989 but if this billet is lost, it would be in addition to some physician billets which we have already lost between those same years.

Resources are scarce and those resources that are available may be best used for the active duty in the fleet as opposed to the retired population and shore billets. However, when you are cutting back on in-house medical military resources for any segment of the military population, you drive military beneficiaries to the more expensive CHAMPUS system, something OSD and the Navy have been trying to avoid.

Outpatient visits, we are told, financed by CHAMPUS, have increased by almost 65 percent over the last four years and this has happened even though this committee has increased funding for the Services medical programs by $318.5 million in the last two years in an effort to get people away from CHAMPUS and back into military facilities.

We have received replies to inquires that we have made on these issues from our Southeast Region Command, but I would hope that you, as maybe the person that controls the billet structure and staffing, might look into the situation in our area.

Admiral ZIMBLE. If I could reiterate, I feel that the responsibility of Navy medicine goes far beyond direct care and use of military providers.

My responsibility is to serve all of our beneficiaries and to not only meet their needs, but to truly try to satisfy them and indeed delight them. In order to do that, I have to look at all the alternatives and I am working towards a business plan in every area in which we have beneficiaries to find the right mix.

In some areas, it is going to be predominantly active duty in uniform, overseas areas where there is no good alternative. Second, remote areas of the United States where again the alternatives are absent or quite restricted.

I also have to make sure that I have enough blue-suit representation in our graduate teaching hospitals so that I have got a continuous pipeline, four tertiary care facilities and four family practice facilities, soon to be a fifth one. Then we start to say I am running out of active duty personnel. I may have to move a billet or two, but I am not disengaging the patient, an old term that we used in CHAMPUS that I have always held in disfavor. We are still engaging the patient. We have to find an alternative to care.

My preference is managed care, to work partnerships, go beyond that to contracting where necessary. I am looking for some relief in the capping on personal services contracts so I can take some retired physicians who would love to continue to provide care in certain areas if they didn't have to give up their retirement pay to do it or if they could stay competitive. They have great commitment to the military and I would love to keep them. I want to look for managed care, the ability to go into an area to talk to the people who are working like CRI and working with them to get discounts, and where I can't provide the care with a direct care asset or with a contracted individual, that I can manage the care.

I want to be sure that I have quality provision. I can do that if I am managing it. I want to be sure that I am getting best value, timely access to quality clinical care at a reasonable cost. All of those things are achievable if we are allowed to manage. Right now, I don't manage. I pay a bill. That is the problem on the CHAMPUS side and I don't have the blue-suited assets. I don't think I should have the blue-suited assets to meet all our medical provider needs. To do so, I think would be a foolhardy investment. We have to find crossover points for each of our corps. We have to find areas where it is prudent fiscal management to work with a blue suit and where it is much more prudent to use other sources within the community.

We have the same objective and I want to work together with you.

Mr. LIVINGSTON. I appreciate that.

A lot of folks in our area believe that you can have a lot of savings by keeping a blue-suit presence, and they have become concerned at the blue-suit withdrawal of that presence.

I have a number of other questions that I would like to put in the record and ask you to take a look at.

[CLERK'S NOTE.—Questions submitted by Mr. Livingston and the answers thereto follow:]

NAVAL MEDICAL CLINIC NEW ORLEANS

Question. Provide for the record (for the fiscal and calendar years 1982 through 1989) the number of physicians, physician assistants, and independent duty corpsmen that existed each year at the New Orleans Naval Medical Clinic (including a breakdown for the smaller clinic at the Naval Air Station, Belle Chasse).

Answer. The number of providers is:

NAVAL MEDICAL CLINIC, NEW ORLEANS

	Physicians	Physician assistants	Indep. duty corpsmen
Fiscal year:			
1982	(1)	(1)	(1)
1983	8	3	64
1984	8	2	65
1985	9	2	63
1986	6	3	60
1987	8	4	66
1988	5	3	63
1989	5	3	65

[1] The number of physicians onboard in 1982 is not available.

BRANCH CLINIC, NAVAL AIR STATION

	Physicians	Physician assistants	Indep. duty corpsmen
Fiscal year:			
1982	0	0	0
1983	0	0	18
1984	0	0	18
1985	0	0	17
1986	0	0	18
1987	0	0	23
1988	0	0	17
1989	0	0	18

Question. Provide for the record the annual total cost, in fiscal year 1991 dollars, for funding the personnel listed in each of the above fiscal and calendar years.

Answer. The information follows:

ANNUAL TOTAL COST (IN FY 1991 DOLLARS) FOR FUNDING PERSONNEL AT NMCL NEW ORLEANS AND NAS BC, NEW ORLEANS FY 1984 THRU FY 1989

	Total physician and physician assistants	Total officer cost (dollars)	Total independent duty corpsmen	Total enlisted cost (dollars)	Total cost (dollars)
NMCL New Orleans:					
Fiscal year:					
1983	11	726,352	64	1,783,232	2,509,584
1984	10	660,320	65	1,811,095	2,471,415
1985	11	726,352	63	1,755,369	2,481,721
1986	9	594,288	60	1,671,780	2,266,068
1987	12	792,384	66	1,838,958	2,631,342
1988	8	528,256	63	1,755,369	2,283,625
1989	8	528,256	65	1,811,095	2,339,351
NAS BC New Orleans:					
Fiscal year:					
1983	0	0	18	501,534	501,534
1984	0	0	18	501,534	501,534
1985	0	0	17	473,671	473,671
1986	0	0	18	501,534	501,534
1987	0	0	23	640,849	640,849
1988	0	0	17	473,671	473,671
1989	0	0	18	501,534	501,534

Notes: 1. Costs reported in FY 1991 dollars: Officers—$66,032, enlisted—$27,863. 2. Cost figures provided by MED-15/OP-931.

Question. Provide a breakdown of each of the medications, prescription drugs, and over-the-counter medications that were deleted or no longer made available to beneficiaries at the Naval Medical Clinic pharmacy in each of the fiscal and calendar years from 1982 to 1989. (Those medications and prescriptions that were not replaced by generic substitutes.)

For each of these prescriptions or medications provide a cost estimate, in fiscal year 1991 dollars, of what it would take to reinstate these prescriptions or medications at the Naval Medical Clinic.

Answer. The information follows:

DRUG NAME	REASON FOR DELETION	ANNUAL COST TO REINSTATE DRUG
	FORMULARY DELETIONS 1989	
CAPOTEN 25mg	High Cost/Replaced with Zesteril 20mg tabs	$ 17,000
ZANTAC 150mg	High Cost/Replaced with Tagamet 400mg tabs	73,000
MEVACOR 60mg	Added, then Deleted due to high cost	75,000
LOPID 300mg	Added, then Deleted due to high cost	13,000
CYTOTEC 200mg	Added, then Deleted due to high cost	56,000
CECLOR 250mg	Replaced with Suprax 100mg	55,000
CECLOR 125mg	Replaced with Suprax 100mg	24,000
BECONASE AQ INHALER	Added, then Deleted due to high cost	17,000
CALAN SR 240mg	Replaced with Verapamil	66,000
VOLTAREN 50mg	Added, then Deleted due to high cost	16,000
CIPRO 500mg	Added and Deleted due to high cost	12,000
HISMANAL 10mg	Added and Deleted due to cost	31,000
	FORMULARY DELETIONS 1988	
AMINOPHYLINE 200mg	Replaced with Theodur 200mg	None
CAFERGOT tabs	Low use rate	$ 500
ERGOSTAT 0.2mg	Low use rate	500
ISMELIN	Out-dated drug	N/A
VASODILAN	Out-dated drug	N/A
ZAROXOLYN 5mg	Low use rate	300
NEGRAM 500mg	Low use rate; out-dated	300
NIACIN 50mg	Low use rate	200
NORGESIC FORTE	Replaced with Flexeril	3,000
PHENYLBUTAZONE	Low use rate; out-dated	N/A
PROBANTHINE	Low use rate; out-dated	N/A
GANTRISIN	Low use rate	800
BALNETAR BATH	Low use rate	300
HALOTEX CREAM	Low use rate	500
BETADINE OINT.	Low use rate	300
KENALOG SPRAY	Low use rate	700

DRUG NAME	REASON FOR DELETION	ANNUAL COST TO REINSTATE DRUG
	FORMULARY DELETIONS 1988	
SOMOPHYLINE	Low use rate	400
CTM SYRUP	Low use rate	400
OVULEN 21	No longer available	N/A
CLOMID 150mg	Low use/high cost	4,000
DYAZIDE CAPS	Replaced with Maxide tabs	N/A
DYMELOR TABS	Low use rate	500
CLEOCIN CAPS	Low use/high cost	1,000
ECOTRIN TABS	Cost containment/OTC item	3,000
METMUCIL	Cost containment/OTC item	4,000
RODINUL TABS	Low use rate	600
NORINYL TABS	No longer available	N/A
NITROL OINT.	Low use rate	200
ALL INSULIN, SYRINGES,etc.	Cost containment/not used by Active Duty	35,000
ORINASE 500mg	Low use/out-dated	500
PERITRATE SA	Low use rate	300
ISORDIL 5mg	Low use rate	800
STOXIL OPHTH.	Low use rate	200
EPIFRIN OPHTH.	Low use rate	200
KOMEX CREAM	Low use rate	200
OUIBRON CAPS & ELIXIRS	Low use rate/out-dated	500
TAGAMET 300mg	Replaced by Zantac 150 mg	55,000
	FORMULARY DELETIONS 1987	
AZOLID 100mg	Low use/out-dated	6,000
TRIAMCINOLONE 0.025% CREAM	Low use rate	500
ZARONTIN 250mg	Low use rate	5,000
	FORMULARY DELETIONS 1986	
BACITRACIN OPHTH OINTMENT	Low use rate	500
CALCIUM LACTATE TABLETS	Replaced with Calcium Carb.	5,200
	FORMULARY DELETIONS 1984	
OTC DRUG PROGRAM: ASPIRIN,TYLENOL COUGH SYRUP	Cost Containment	10,000

DRUG NAME	REASON FOR DELETION	ANNUAL COST TO REINSTATE DRUG
	FORMULARY DELETIONS 1983	
KEFLEX SUSP.	Replaced with Ceclor Susp.	8,000
CLEOCIN T SOL.	Low use rate	1,000
PHISOHEX SCRUB	Low use rate	500
	FORMULARY DELETIONS 1982	
DEXAMETHASONE INHALER	Low use rate	1,300

Question. Provide for the record the number of patients seen per physician for each of the fiscal years 1982–1989, and the decline or increase for each year in percentage terms.

Answer. The information follows:

	No. of visits	No. of doctors	No. of OPV/MD	Percentage change year to year
Fiscal year:				
1982	56,023		(1)	(1)
1983	52,141	8	6,517.6	(1)
1984	41,621	8	5,202.6	−20.2
1985	34,284	9	3,809.3	−26.8
1986	35,166	6	5,861.0	+53.9
1987	33,752	8	4,219.0	−28.0
1988	29,749	5	5,949.8	+41.0
1989	22,919	5	4,583.8	−23.0

1 Not available.

Question. Provide for the record the total number of patient visits at the New Orleans Naval Medical Clinic for each of the fiscal years 1982 through 1989 as well as the decline or increase in percentage terms for each year.

Answer. The information follows:

	Number of visits	Percentage change year to year
Fiscal years:		
1982	56,023	N/A
1983	52,141	−6.9
1984	41,621	−20.2
1985	34,284	−17.6
1986	35,166	+2.6
1987	33,752	−4.0
1988	29,749	−11.9
1989	22,919	−23.0

Question. Provide for the record a summary of any local Naval Medical Clinic command plans, requests, or proposals for improving or changing medical care services or resources in the New Orleans area that were submitted to either the Naval Command in Washington, D.C. or to the Southeast Region Naval Medical Command from fiscal years 1982 to 1989.

Answer. In 1984, Naval Medical Clinic New Orleans submitted two Veteran Affairs/Navy Health Resources Sharing Agreements for approval. The agreements were for CAT scanner procedures and selection surgical procedures and related services provided by VA. A Pedicatric Partnership agreement was submitted in 1989. This agreement expires on July 31, 1990. The clinic presently is developing an adult acute care partnership agreement.

In 1987 Congress directed the Office of the Assistant Secretary of Defense (Health Affairs) to initiate a CHAMPUS Reform Initiative in New Orleans. Initial attempts to implement this was unsuccessful. The project was redescribed and a new request for proposals is scheduled to be released in mid-April 1990.

[CLERK'S NOTE.—End of questions submitted by Mr. Livingston.]

Mr. LIVINGSTON. Thank you, Mr. Chairman.

OVERSEAS PHYSICIAN LIABILITY

Mr. HEFNER. One other question here.

A recent 11th Circuit Court decision, *Newman* v. *Soballe*, permitted the wife of an active duty serviceman to hold a Navy physician personally liable for care provided at an overseas location. While the Justice Department states that it will substitute the United States as the defendant in such cases, there may be some remaining concern over whether this will be allowed by the courts.

What information can you give us concerning this issue of holding a military physician personally liable for care provided in an overseas hospital?

Admiral ZIMBLE. I appreciate that question, Mr. Hefner.

We are talking about the Continental United States, all of our providers in uniform and also our civil service providers are covered under the Gonzalez Act saying that we will use Federal tort claims to handle the tort issues and we will substitute the United States for the individual provider. Unfortunately, the Gonzalez Act, using Federal tort claims, does not cover what happens overseas, where we use the Military Claims Act.

In that case, the Gonzalez Act allows for the Secretary of the Navy to provide for counsel or to step in for the individual and give the individual some relief, financial relief, but doesn't relieve the individual from being named. That is a morale issue.

It would be nice if we could find a way in legislation to give the same degree of protection to those who are overseas as we give to those in the United States.

It is interesting that—that is a single case, but we received, within months of the case, months of publicity of the case, we received some significant inquiries from just about every out-of-CONUS facility. So we would like some support with the Gonzalez Act. There is a related issue. The Gonzalez Act indemnifies our providers in uniform, our providers who will work for us in civil service. It does not indemnify the providers for whom we contract within our facility. We ask that the contractors get additional malpractice liability insurance. The problem with that is that they will still sue the United States if there is an untoward event within our facility.

In addition, I wind up, in the process of doing the contracting, paying the overhead for the contractor's liability insurance, and I think it would be less expensive and much more cost effective if those providers that work within our facilities, no matter under what financial arrangement—by the way, it would also include volunteers—all providers that work under our roof be indemnified by us.

It is what the Government has done in most cases because it is the most prudent way to go. So I would appreciate that. We are looking at ways to provide that kind of support under a new revision of the Gonzalez Act.

Mr. HEFNER. We will have some other questions for the record.

Mr. Young or Mr. Miller, do either of you have any other questions?

Mr. MILLER. I have some questions for the record, Mr. Chairman. Thank you.

Mr. HEFNER. Admiral, we would like to thank you for coming.

The committee stands adjourned until 10:00 o'clock tomorrow morning.

[CLERK'S NOTE.—Questions submitted by Mr. Miller and the answers thereto follow:]

FLEET HOSPITALS

Question. Your statement mentions that the Navy now has 17 fleet hospitals, eight of which are prepositioned. How do fleet hospitals differ from the Navy's hospital ships?

Answer. Fleet hospitals are modular, containerized deployable medical systems and are prepositioned overseas in warehouses at or near the intended site of use. Hospital ships, which are converted San Clemente tankers, are floating surgical hospitals with the capability to provide acute medical and surgical care.

Question. Where are the prepositioned hospitals located?

Answer. At the present time, Navy has fleet hospitals prepositioned in Norway (1), Guam (1), Japan (2), the eastern Mediterranean (1), Italy (1), and afloat on a cargo ship in the Indian Ocean (1). One hospital is prepositioned at Cheatham Annex, Virginia, in support of CINCLANTFLT operations.

Question. What requirements do you consider in determining the number and disposition of the fleet hospitals?

Answer. The majority of the requirements for medical personnel and for most other medical resources (e.g., fleet hospitals) are associated with hospitals and determined by the major Commanders-in-Chief through a detailed modeling process. Requirements for them derive from the numbers of battle and non-battle casualties expected, from policies for structuring the medical system, and from the methods used to translate workload into requirements.

Question. You state that fleet hospitals are maintained at a "ready for combat" state; given the changing threat, could these assets be maintained at a lower level of readiness and would there be cost savings realized from doing so?

Answer. Fleet hospitals could be maintained at a lower level of readiness and there would be an associated cost savings. The amount of those cost savings depends on the level of readiness fleet hospitals are able to maintain and still be considered "combat ready."

Question. According to your statement, civilian personnel comprise 27 percent of your workforce. Please provide a breakdown of the positions occupied by civilian personnel.

Answer. The number of civilian employees and their positions are as follows:

NAVY-WIDE OCCUPATION INVENTORY
ONBOARD SERIES TOTAL
for FEB 90

SERIES	TITLE	AMOUNT
0018	Safety and Occ Hlth Mgmt	67
0019	Safety Tech	1
0028	Environmental Protection Specialist	3
0029	Environmental Protection Assistant	1
0050	Funeral Directing	1
0060	Chaplain	1
0080	Security Administration	5
0081	Fire Protection & Prevention	30
0083	Police	11
0086	Security Clk	1
0099	Student Trainee	6
0101	Social Science	18
0102	Social Science Aid & Tech	4
0150	Geography	1
0180	Psychology	60
0181	Psychology Aid & Tech	9
0185	Social Worker	140
0186	Social Services Aid/Assist	11
0187	Social Services	7
0188	Recreation Specialist	1
0201	Personnel MGMT Series	19
0203	Personnel Clerical & Assist	43
0204	Military Personnel Clerical & Tech	52
0205	Military Personnel MGMT	2
0212	Personnel Staffing	12
0221	Position Classification	7
0230	Employee Relations	9
0235	Employee Development	4
0260	EEO	16
0301	MISC Administration	20
0302	Messenger	7
0303	MISC Clerk & Assistant	219
0304	Information Receptionist	30
0305	Mail and File	170
0309	Correspondence Clerk	17
0312	Clerk Steno and Reporter	5
0313	Work UMT Supervisor	4
0318	Secretary	831
0322	Clerk-Typist	667
0332	Computer Operation	71
0334	Computer Specialist	230
0335	Computer Clerk & Assistant	51
0340	Program MGMT	1
0341	Admin Officer	10
0342	Support Services Admin	14
0343	MGMT Analysis	133

SERIES	TITLE	AMOUNT
0344	MGMT Assist	124
0345	Program Analysis	31
0350	Equipment Operation	7
0356	Data Transcriber	17
0357	Coding	7
0361	Equal Opportunity Assist	3
0382	Telephone Operating	3
0385	Teletypist	10
0391	Communications Mgmt	1
0393	Communications Specialist	6
0401	General Biological Science	10
0403	Micro-Biology	28
0404	Biological Tech	47
0405	Pharmacology	1
0410	Zoology	1
0413	Physiology	25
0414	Entomology	2
0415	Toxicology	1
0501	Financial Admin/Program	16
0503	Financial Clerical/Assistant	23
0505	Financial MGMT	13
0510	Accounting	13
0511	Auditing	18
0525	Accounting Tech	192
0530	Cash Processing	31
0540	Voucher Examining	52
0544	Payroll	3
0560	Budget Analysis	112
0561	Budget Clerical/Assistant	65
0590	Time/Leave	1
0601	General Health Science	27
0602	Medical Officer	109
0603	Physician's Assist	30
0610	Nurse	1076
0620	LPN	561
0621	Nursing Assistant	74
0622	Medical Supply Aide/Tech	52
0625	Autopsy Assistant	3
0630	Dietitian & Nutritionist	23
0631	OCC HLTH	9
0633	Physical Therapist	6
0636	Rehabilitation Therapy Assist	2
0640	HLTH Tech	296
0642	Nuclear Med Tech	2
0644	Medical Technologist	174
0645	Medical Technician	165

SERIES	TITLE	AMOUNT
0646	Pathology Tech	33
0647	Diagnostic Radiology	64
0648	Therapeutic Radiology	8
0649	Med Machine Tech	46
0651	Respiratory Therapist	35
0660	Pharmacist	83
0661	Pharmacy Tech	73
0662	Optometrist	12
0665	Speech Pathology & Audiology	48
0667	Orthotist and Prosthetist	3
0669	Medical Record Librarian	32
0670	HLTH Systems Admin	4
0671	HLTH Systems Specialist	60
0673	Hospital Housekeeping	9
0675	Medical Record Tech	347
0679	Medical Clerk	957
0681	Dental Assistant	263
0682	Dental Hygiene	50
0683	Dental Lab Aid/Tech	16
0688	Sanitation	2
0690	Industrial Hygiene	240
0698	Environmental HLTH Tech	16
0699	Students and/or HLTH Tech	46
0701	Veterinary Med	2
0801	General Engineering	14
0802	Engineering Tech	55
0808	Architecture	2
0809	Construction Control	1
0810	Civil Engineering	3
0818	Engineering Drafting	1
0819	Environmental Engineering	1
0830	Mechanical Engineering	4
0855	Electronics Engineering	5
0856	Electronics Tech	24
0858	Biomedical Engineering	5
0893	Chemical Engineering	1
0962	Contact Rep	137
0986	Legal Clerk and Tech	12
0990	General Claims Exam	1
0998	Claims Clerical	34
1001	General Arts & Info	2
1020	Illustrating	8
1035	Public Affairs	8
1046	Language Clerk	1
1060	Photography	4

SERIES	TITLE	AMOUNT
1071	Audio-visual Production	17
1082	Writing & Editing	7
1083	Technical Writing and Editing	3
1084	Visual Info Series	2
1087	Editorial Assist	26
1101	General Business and Industry	11
1102	Contracting	26
1105	Purchasing	147
1106	Procurement Clerk/Assist	34
1152	Production Control	4
1173	Housing MGMT	4
1222	Patent Attorney	1
1306	HLTH Physics	2
1310	Physics	5
1311	Physical Science Tech	130
1320	Chemistry	72
1410	Librarian	22
1411	Library Technician	28
1412	Technical Info Service	2
1515	Operations Research	1
1520	Mathematics	2
1530	Statistician	14
1531	Statistician Assist	10
1550	Computer Science	2
1601	General Facilities Equip	2
1640	Facility MGMT	8
1667	Steward	2
1670	Equipment Specialist	5
1701	General Education and Training	2
1702	Education and Training Tech	13
1710	Education and Vocational Training	20
1712	Training Instruction	3
1802	Compliance Inspection	1
1910	QA	12
2001	General Supply	4
2003	Supply Program MGMT	9
2005	Supply Clerical Tech	141
2010	Inventory MGMT	8
2102	Transportation Clerk/Assist	2
2132	Travel	3
2134	Shipment Clerical/Assist	3
2151	Dispatching	5
2502	Telephone Mechanic	2
2604	Electronics Radar	5
2606	Electric Industrial Control Mechanic	1
2801	Electrical Testing Programmer	1
2805	Electrical	29
2810	Electrician (High Voltage)	2

SERIES	TITLE	AMOUNT
3105	Fabric Working	2
3111	Sewing Machine Operator	3
3359	Instrument Mechanic	1
3414	Machine Tool Operator	1
3501	Laborer	25
3502	Laboring	50
3511	Lab Worker	21
3566	Janitor	442
3603	Mason	2
3605	Plasterer	1
3606	Roofer	1
3703	Welder	4
3806	Sheet Metal Mechanic	5
4102	Painter	13
4204	Pipe Fitter	22
4206	Plumber	3
4417	Offset Piness Operator	1
4605	Wood Craftsman	5
4607	Carpenter	10
4701	General Helper	51
4714	Model Maker	2
4742	Facilities Systems Pipe Operator	11
4749	Maintenance Worker	40
4804	Locksmithing	2
4805	Medical Equipment Repair	9
4845	Orthopedic Appliance Repair	1
5003	Gardener	8
5026	Pest Controller	4
5048	Animal keeper	13
5306	A/C Equipment Mechanic	20
5309	Heating & Boiler Plant Equipment Mechanic	1
5352	Industrial Equipment Mechanic	8
5365	Physiological Trainer	4
5378	Powered Support System Mechanic	1
5402	Boiler Plant Operator	40
5403	Incinerator Fireman	2
5415	A/C Equipment Operator	5
5438	Elevator Operating	1
5701	MVO	1
5703	MVO	88
5705	Tractor Operator	5
5716	Engineering Equipment Operator	2
5806	Mobile Equipment Service	1

5823	Auto Mechanic	14
6501	Hazardous Waste Handlers	2
6901	Materials Equipment/Med Sup	17
6904	Tolls/Parts Attending	2
6907	Warehouseman	164
7002	Packer	6
7009	Strapping Marking	4
7301	Linen Worker	2
7304	Laundry Worker	28
7401	Commissary	5
7402	Baking	4
7404	Cook	150
7408	Food Service	323
	GRAND TOTAL FOR ALL SERIES:	11774

- Total includes United States direct hire and Foreign National direct hire employees.

- Foreign National indirect hires comprise another 360 employees. Specific details regarding the types of these labor contractors are unavailable.

- Total civilian hires for FEB 90 is 12,134.

NURSES IN THE NAVY

Question. What is the shortage of nurses in the Navy? What actions are you taking to recruit and retain nurses? Are the resources contained in the budget request sufficient to support these actions?

Answer. Navy has authorizations for 3493 Nurse Corps billets; as of February 1990, 2945 billets were filled.

There are several recruitment programs that are available for Nurse Corps officer candidates: Nurse Corps Baccalaureate Degree Completion Program; Nurse Corps Candidate Program; full-time out service training program for civilian or inactive reserve Nurse Corps candidates in a Maser's level nurse anesthesia, family nurse practitioner, or critical care nursing program; Navy ROTC; Medical Enlisted Commissioning Program; and Armed Forces Health Professional Program. Navy also has a new program authorized by Congress that, for fiscal years 1990 and 1991, allows the payment of a bonus to certified registered nurse anesthetists. For Nurse Corps applicants who have not received a military scholarship nor been affiliated with the active duty military for at least a year, there is the nurse accession bonus which provides payment of $5,000 at time of appointment in exchange for a four-year commitment. This bonus program is in effect for fiscal years 1990 and 1991.

These programs are adequately supported by the budget.

[CLERK'S NOTE.—End of questions submitted by Mr. Miller. Questions submitted for the record and the answers thereto follow:]

NAVY MEDICAL BUDGET

Question. In fiscal year 1990, Congress increased the funding level for Navy medical programs by $50 million. We are pleased to hear that the Navy Comptroller agreed to continue this funding level into 1991.

FY 1990: $1.999 billion request, $2.047 billion appropriated.

FY 1991: $2.256 billion request.

Are you satisfied with this funding level?

Answer. No. A number of events have occurred since the budget was prepared to make one believe that the fiscal year 1991 budget request is inadequate. These include the fiscal year 1990 CHAMPUS reprogramming and the indications that the total demand for care is increasing rather than stabilizing or declining. While the Congress added $50 million in fiscal year 1990, the CHAMPUS program was offset on the assumption that more workload could be recaptured. It now appears that the opportunity to recapture CHAMPUS is much less than originally anticipated. Since the preparation of the fiscal year 1991 President's budget, the CHAMPUS program will require a reprogramming action of $263 million.

The initiatives that caused the reprogramming action are issues over which Navy has very little control. Out-of-catchment CHAMPUS cost growth cannot be recaptured by Navy contracting initiatives. Another major area over which the Navy has no control is the outpatient cost and workload. The delivery of health care has changed and the initiatives in CHAMPUS to control costs have not

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kept pace with the hospital industry. Yesterday's three- or four-day hospital stay is today's outpatient surgery. While we have controlled costs on the inpatient side through diagnostic related groups (DRG's), there is no similar outpatient cost containment mechanism on the outpatient side.

While a significant amount of dollars were invested in health care contracting to reduce the CHAMPUS deficit, we believe these contracts have increased accessibility to the military treatment facilities for our beneficiaries. The out-of-catchment-area costs and the outpatient costs continue to be the major driver of CHAMPUS costs.

Question. Will you be able to maintain your 1990 initiatives into 1991 with this funding?

Answer. As previously stated the fiscal year 1990 reprogramming action will have a direct impact on the fiscal year 1991 funding.

Question. How much of the fiscal year 1991 request is for CHAMPUS?

Answer. The CHAMPUS portion of the $2.256 billion request is $880.5 million, including the estimated Navy portion, at that time, of $303 million for the Department of Defense CHAMPUS Reform Initiative (CRI).

NAVY'S SHARE OF THE CHAMPUS SHORTFALL

Question. In fiscal year 1989, the Navy did not require any additional funds for their CHAMPUS program. However, the fiscal year 1990 CHAMPUS reprogramming request will include $137.4 million for the Navy. What has caused this increase in the Navy's CHAMPUS program?

Answer. The fiscal year 1990 CHAMPUS reprogramming will require $263 million for the Navy. The increase has occurred because of the non-attainment of budgeted savings due to increased usage/availability of in-house medical care and the following events:

(1) fiscal year 1990 started with a $33.5 million carryover from fiscal year 1989 unpaid CHAMPUS claims;

(2) the benefits cost increase is the difference in the CAPS model projection from the time of program budget formulation to execution—$54.9 million;

(3) the initial budget did not include Continuing Health Education, which evolved after the budget was formulated—$9.3 million;

(4) the Tidewater CPA contract was renewed for more than was budgeted—$12.6 million;

(5) the increase in the CHAMPUS Reform Initiative (CRI) costs are a combination of an anticipated CRI savings which were not achieved and an increase in Navy's share of the CRI fixed-price contract—$61.6 million;

(6) Navy has again been directed to absorb the cost of the Coast Guard—$17.0 million;

(7) fiscal intermediary (FI) claims increased 44 percent over fiscal year 1989; renewal of the 1990 contract exceeded the amount budgeted—$11.2 million;

(8) CHAMPUS claims for fiscal year 1988 in the CRI area were not anticipated—$7.0 million;

(9) Price/volume variance is due to greater than budgeted usage of CHAMPUS by beneficiaries and overall higher costs per claim than anticipated—$55.9 million.

Question. For the past couple of years, the Congress has directed the department to provide medical care to the Coast Guard. Is part of this CHAMPUS requirement driven by your assistance to the Coast Guard?

Answer. The requirement to support the Coast Guard directly affects resource requirements for the CHAMPUS program. In fiscal year 1989, $20 million in funding was directly associated with supporting the Coast Guard CHAMPUS requirement; the amount is $17 million for fiscal year 1990.

Question. In fiscal year 1989, the Navy experienced a small decrease in the number of non-availability statements it had to issue. Are you experiencing an increase in non-availability statements in 1990?

Answer. No. The number of non-availability statements issued from October 1989 through February 1990 is 18,264—five percent less than number issued for the same time period in fiscal year 1989.

Question. In last year's hearing you stated that through contracting and other planned initiatives you would be able to reduce your CHAMPUS program. Did these initiatives not work—is it true that you must seek a reprogramming action in 1990?

Answer. The contracting initiatives which began in the last half of fiscal year 1989 resulted in the recapture of very limited amounts of CHAMPUS workload. Very little of the CHAMPUS reprogramming requirement for fiscal year 1990 is a result of issues within the control of Navy catchment areas. Out-of-catchment CHAMPUS cost growth cannot be recaptured by Navy contracting initiatives. In addition, while some contracts have increased availability, there is considerable evidence that reprogramming requirements would be significantly greater without the present contracting efforts.

NEW NAVY STAFFING POLICY

Question. Admiral Zimble, it is our understanding that the Navy is considering a change in the way it staffs its hospitals. The plan is to move military health care providers out of the large facilities to remote, overseas, or isolated medical facilities where civilian health care is not available. This will mean that in those areas which lost military physicians beneficiaries will be forced to use CHAMPUS. Please explain your new policy.

Answer. The staffing policy for Navy Medicine is a plan based on an assessment of total catchment area requirements (direct care plus CHAMPUS) for each medical specialty. Our Planning and Analysis Division began working last summer on plans for distributing our Navy uniformed providers and has now completed these plans for several specialties, including emergency medicine, obstetrics and gynecology, and internal medicine. Several others are approaching completion and we intend to complete plans for all specialties by late summer 1990 for implementation in fiscal year 1992.

Based on the results of these plans, uniformed providers will be distributed based on previously established staffing priorities: outside continental United States (OCONUS), isolated CONUS treatment facilities, graduate medical education facilities, all other facilities.

Facilities which will not receive a sufficient number of uniformed providers to meet their total catchment area requirements will have time (from late summer 1990 to October 1991) to pursue plans for alternative health care delivery methods—health care contracts, partnerhip agreements, or other cost-effective solutions. Our health care planning establishes a baseline for the assignment of uniformed providers and allows us to meet health care needs using cost-effective means that also recognize operational requirements.

Question. Do you anticipate that the cost of your CHAMPUS program will increase under this proposal?

Answer. I believe we will be able to control the CHAMPUS costs better than we are now. We are identifying our capabilities within each catchment area and then developing health care delivery methods that can be used instead of standard CHAMPUS.

Question. Will you provide exceptions to this policy for those facilities which have special needs?

Answer. Based on the availability of uniformed providers, we will make exceptions to this policy in areas where contracts or partnership agreements cannot be obtained. Of course, we must ensure that our active duty members and their families in overseas and remote locations have health care services available.

FISCAL YEAR 1991 MEDICAL END STRENGTH

Question. The fiscal year 1991 budget request includes a 5,701-man reduction in the Navy's overall military end strength. This is a net figure with the number of officers increasing and the enlisted personnel decreasing.

What is the 1991 medical end strength level?

Answer. As cited in the Defense Manpower Requirements Report (DMRR) Medical Annex, officer end strength level is 12,510, which is the fiscal year 1991 Congressionally mandated level for all officer communities within medical; enlisted personnel end strength is 31,944.

Question. Is this higher or lower than 1989 and 1990?

Answer. The end strength is higher. For 1989, officer end strength was 11,555; enlisted personnel end strength was 30,598. For 1990, officer end strength is projected at 12,240, as cited in the DMRR Medical Annex; enlisted personnel end strength is projected to be 31,719.

Question. Within the 5,701 reduction planned for 1991, how many are medical personnel?

Answer. The fiscal year 1991 end strength target of 12,510 is Congressionally mandated. There were no reductions to medical end strengths in fiscal year 1991.

Question. When originally preparing the 1991 budget, did you request an increase in the level of medical end strength?

Answer. No we did not. Our goal is to recruit and train personnel to fill existing billets.

MILITARY STAFFING PROBLEMS

Question. Last year you stated that the ratio of medical personnel to active duty was 48 doctors per 10,000 Navy and Marine Corps personnel. Is this ratio still accurate? If not, what is the current ratio of medical personnel to total Navy and Marine Corps active duty personnel? How does this ratio compare with the Army and the Air Force?

Answer. The ratio of Navy physicians to active duty Navy and Marine Corps personnel has increased slightly-from 48.3 to 49.9. The Army has a ratio of 66.3 physicians per 10,000 active duty personnel; Air Force ratio is 69.4 per 10,000.

Question. In 1989 both this Committee and the House Armed Services Committee addressed the problem of filling medical enlisted billets with non-medical enlisted personnel. There is a requirement to establish shore rotation billets for non-medical personnel assigned to the Navy's two hospital ships and so these personnel were assigned to Navy hospitals. However, the Committees were concerned that the hospitals were losing trained medical personnel to make room for the non-medical people. Has this situation been straightened out? If not, what can we do to fix it?

Answer. The situation was remedied with the $15 million Congress added in fiscal year 1989 to buy back or retain 619 of the 882 civilian employees who were programmed to be decremented as a result of the non-medical enlisted substitution. In addition, we were able to buy another 200 civilians in clerical and clinical positions to support our military treatment facilities. This has relieved our providers from performing the more routine clerical functions.

HIRING FREEZE

Question. Earlier this year, the Department instituted a hiring freeze for all civilian personnel. The chairmen of the 1990 DoD appropriations conference wrote to Secretary Cheney stating that this freeze should not apply to civilian personnel working in the medical field.

Do you have any guidance from OSD on the implementation of this hiring freeze in the medical community?

Answer. The Secretary of the Navy provided guidance regarding the exemption of medical-related personnel from the hiring freeze. Chief, Bureau of Medicine and Surgery, was delegated the authority to fill up to 1,000 positions, without geographic restriction, in hospitals, medical, and dental clinics. No other facilities are considered to fall under this waiver exemption.

Question. Given that your plans and the Congressional add-on included hiring additional civilian personnel in 1990, how has this hiring freeze affected your ability to provide health care in your facilities?

Answer. Navy Medicine requires a balance of clinical and nonclinical personnel, comprised of military, civilian, and contractor personnel. The hiring freeze has had and continues to have a significantly negative impact on the delivery of health care. Bureau of

Medicine has been delegated the authority to fill up to 1,000 positions and we are extremely appreciative of the support. However, we will be unable to fully implement the hiring of the adds provided by Congress unless further waivers are granted.

The market for health care professionals is extremely competitive, and any disruption to the total force team results in our inability to provide consistent, quality health care. At this time we are trying to exempt as many of the current vacancies in the 600 occupational series (medical) before addressing administrative support or any new positions. We have granted waivers for 700 positions, but have had over 1,400 to review, even before the addition of any new initiatives for fiscal year 1990. We will reach our 1,000 during the third week in March and will require more relief to execute Congressional adds.

In addition, the support required from related health care organizations is still frozen. These positions are essential for support of MTF operations, such as the Health Care Support Offices; Naval Medical Data Services Center; Naval Medical Materiel Support Command, which provides contracting expertise to execute our medical contracts; the Navy Environmental Health Center, which oversees the Navy Occupational Health and Safety Program; Naval Health Sciences Education and Training Program, which directs the various training programs; and vital positions in research and development activities. We are actively seeking the support of Secretary of the Navy in approving individual waivers for these critical positions.

RETENTION OF HEALTH CARE PERSONNEL

Question. The Congress has recently passed a number of pay and bonus initiatives directed at the recruiting and retention of military health care personnel. Have you experienced an increase in the number of people choosing to stay in Navy Medicine?

Answer. The Medical Corps has experienced an increase. The Medical Service Corps and Dental Corps are relatively constant in retention; the Nurse Corps continues to experience accelerated losses—losses in fiscal year 1989 were up 45.5 percent over fiscal year 1987 losses.

Question. What effect have these changes had on your ability to recruit?

Answer. Bonuses have helped increase physician inventories. Overall medical officer community end strength increased between end fiscal year 1988 and end fiscal year 1989.

Question. What problems remain with getting people into the area of nursing?

Answer. The 1988 Department of Health and Human Services Secretary's Commission on Nursing report contained the following information on the shortage of nurses: (1) the increased demand for nurses is the primary cause of the nursing shortage; (2) the supply of nurses did not keep pace with demand because of a declining college-age population, expanding career opportunities for women, non-competitive compensation levels, decreasing educational subsidies, working conditions, professional image, status and prestige.

According to a recent American Nurses Association statement, 1989 saw a slight increase in enrollment in nursing programs nationwide. The military services compete with the civilian health care system for nursing resources. Civilian compensation for staff nurses rose between 5 and 10 percent in 1989, which decreases the gap between civilian and military base salaries (1989 University of Texas Nurse Survey). We expect to remain competitive with the civilian community if we have sustained funding for the pay and bonus initiatives recently authorized and support for future requests.

The Nurse Corps has over 50 initiatives in place to address nonmonetary retention issues, including improved avenues of communications, flexibility in work schedules, more flexibility in assignment policies, increased recognition and awards.

PERSONAL LIABILITY OF NAVY PHYSICIANS

Question. A recent 11th Circuit Court decision (*Newman* v. *Soballe*) permitted the wife of an active duty serviceman to hold a Navy physician personally liable for care provided at an overseas location. While the Justice Department states that it will substitute the U.S. as the defendant in such cases, there may be some remaining concern over whether this will be allowed by the courts.

What information can you give us concerning this issue of holding a military physician personally liable for care provided in an overseas hospital?

Answer. The Gonzales Act (GA), passed in 1976, makes the Federal Tort Claims Act the exclusive remedy for negligent and wrongful acts or omissions of armed forces health care providers acting within the scope of their employment. Within subsection (f) of the GA, it allows SECNAV to either provide liability insurance or hold providers harmless for negligent or wrongful acts or omissions occurring within the scope of providers duties, if the provider is assigned duty in a foreign country.

Question. Do you believe this may have a negative effect on your ability to recruit and retain physicians?

Answer. Yes, it may very well have a negative effect on our ability to recruit and retain physicians. However, if providers act within the scope of their employment, they are within GA protections. This issue demonstrates our need to indemnify (or otherwise protect) all providers working for us in our military treatment facilities.

There is a potentially serious morale issue here and an equity issue. Military physicians sued in overseas hospitals are actually named in the filed suits. This may have the effect of raising their malpractice insurance rates if they leave the Service.

LIABILITY INSURANCE

Question. Last year we discussed the fact that if a physician currently practicing in the private sector volunteers for military service he or she must retain liability insurance for care provided before the individual joined the military. The payment of the premiums with the salary offered by the military may be too much of

a financial burden for the physician and this aspect may keep people away from military service.

Is this true and if so, what can be done about it?

Answer. Yes, it is true. However, I do not need more money to deal with this problem. I need authority to use operating funds to pay a physician a recruiting bonus. The physician can use the money as she or he chooses—to purchase a malpractice insurance liquidation policy or pay part of her/his medical school debt.

Question. Is it significant enough problem that Congress should consider legislative or financial relief?

Answer. It is difficult to quantify with precision the magnitude of the problem. It is a case of asking everyone who won't come in the Navy because of this problem to leave their hands down. There is some anecdotal evidence that we can recruit additional providers if we are able to help them leave their current practices. People are not going to pay a lot of money to come on active duty. I believe such a recruiting tool would be especially helpful in recruiting and attracting OB/GYN physicians, who have one of the highest premiums. Obstetrics and gynecology represents one of our largest CHAMPUS bills. Attracting more OB/GYN physicians with a recruiting bonus will pay for itself in reduced CHAMPUS admissions.

PHILADELPHIA NAVAL HOSPITAL

Question. The Philadelphia Naval Hosital appears on the list of facilities to be closed as recommended by the Secretary's Commission on Base Closure and Realignment.

What is being done to establish an alternative health care option or facility?

Answer. The Bureau of Medicine and Surgery and the Veterans Affairs Medical Center (VAMC) have reached agreement on a Department of Defense joint venture to build an outpatient clinic and other support buildings at the VAMC and purchase inpatient care from VAMC, except for pediatrics and OB/GYN which will be provided under contract. This agreement will remain effective as long as the Philadelphia Naval Shipyard remains open. In view of the proposal to study the shipyard for closure, BUMED is examining local managed care plans to compare services and costs. Should the shipyard be closed, BUMED may purchase from one of the local federally qualified managed care plans the necessary coverage for the remaining Navy and Marine Corps active duty members and their dependents.

Question. Have you been working with local physicians to establish a network of providers to care for the military personnel and their families?

Answer. We have been working with the Veterans Affairs Medical Center and have been studying the various managed care plans in order to provide health care services for these beneficiaries.

UNIFORMED SERVICES TREATMENT FACILITIES

Question. It is our understanding that the Navy extended a contract with the Bayley Seton facility which allows the facility to open a clinic at the Mitchell Field naval housing area on Long

Island. This contract allows the facility to charge the Navy $700 per year for dependents and $1,200 per year for active duty military members.

While there is disagreement between the Navy, Dr. Mendez's office and Bayley Seton concerning the legality of this contract extension, the Congress directed the Navy to continue this clinic because it provides the only military health care in the area. Additionally, the Congress directed that the cost of care could not be greater than CHAMPUS, which has the effect of reducing the cost of the contract.

What is the status of this clinic?

Answer. The clinic will remain open and funded by the Uniformed Services Treatment Facility (USTF) program office, per Department of Defense direction. Bayley Seton Hospital will be paid for actual costs incurred in 1989, but at a lower, CHAMPUS-equivalent, per-visit free for all care provided in 1990. Contrary to popular belief, the Navy did not contract for health care with Bayley Seton. This satellite clinic is an extension of the Uniformed Services Treatment Facility agreement between Baley Seton and Department of Defense.

The USTF agreement for Bayley Seton Hospital sets forth a per capita rate of $1,800 for active duty members and $1,350 per capita for non-active duty. Active duty members receive both inpatient care and outpatient care at Bayley Seton; others receive outpatient care only. In order to receive care under the USTF agreement, beneficiaries must receive their initial episode of care at Bayley Seton hospital.

Question. Are you following the Congressional direction to continue the clinic with funds available for direct medical care rather than CHAMPUS and for a cost not more than CHAMPUS?

Answer. To resolve the Mitchell Field clinic issue, negotiations between Bayley Seton Hospital and the Navy on behalf of the Department of Defense have been ongoing for about 6 weeks. Funds to pay for this clinic will come from the USTF program. A concept of cost-per-visit is being developed to make the cost of care equivalent to CHAMPUS. The CHAMPUS prevailing rate seems to be between $50 and $80 for a limited primary care visit with medications. The new administrator of Bayley Seton is uncertain whether he can provide the care at a cost equal to or less than CHAMPUS. It is Navy's desire to continue this clinic until Bayley Seton converts to a managed cared plan under its USTF designation.

NAVCARE CLINICS

Question. NAVCARE clinics are contractor-operated and sometimes contractor-owned facilities which have been established by the Navy to provide primary patient care in locations of the military installation. These are particularly used by beneficiaries so that they do not have to come on base and use the emergency rooms.

What is the status of your NAVCARE program?

Answer. The NAVCARE clinics consist of ten primary care clinics located in eight cities. The program continues to be well-received by the beneficiaries it is meant to serve. In fiscal year 1989,

the NAVCARE clinics treated 767,375 patients at a cost of $37.1 million. This is approximately $48.38 per patient visit. The program has greatly improved convenience and accessibility to primary care services.

Question. Does it concern you that you cannot be sure of what is going on at these clinics since you do not have direct, day-to-day management oversight?

Answer. Navy has a full-time contracting officer technical representative (COTR) in each of our ten NAVCARE clinics. These COTR's monitor the performance of our contractors. Standards have been set to ensure that the contractors perform at acceptable, agreed-upon levels of performance. Performance below these standards—i.e., long waiting times, quality assurance failures—is penalized by deductions in payment.

Question. Are the patients satisfied with this arrangement?

Answer. Our beneficiaries are very satisfied with the present arrangement. Based on our latest survey, 97 percent of those who received treatment rated our NAVCARE services in a range from satisfactory to outstanding.

RAPID IMPLEMENTATION TEAM

Question. The Navy has developed a Rapid Implementation Team located at Bethesda to test varicus recommendations made by the Blue Ribbon Panel in November of 1988. This action was initiated to speed the implementation of the study to all Navy facilities by "trying out" the Panel's recommendations at one location and quickly working out any problems which developed.

The Team has been in action and has received additional funding in 1990 ($5 million) to continue its work. Has this Team been successful in getting new guidance out to the field in a timely manner?

Answer. The Rapid Implementation Team (RIT) was established in November 1988 for the Naval Hospital at Bethesda to facilitate implementation of the Medical Blue Ribbon Panel (BRP) recommendations. The RIT commenced 7 November 1988 and completed its formal taskings in October 1989. Though $5.0M was spent in fiscal year 1989, there were no funds designated as RIT initiatives in fiscal years 1990 and 1991.

The team was responsible for making an in-depth assessment of the Naval Hospital and providing recommendations that would provide a base for the pilot implementation of BRP initiatives, improve management effectiveness, and reestablish Bethesda's position as the Flagship of Navy Medicine. The RIT was tasked with addressing issues pertaining to the reestablishment of the National Naval Medical Center and the disestablishment of the Naval Medical Command (NNMC), National Capital Region and the Naval Medical Clinic, Washington, D.C. The RIT also was responsible for addressing recommendations affecting Navy health care delivery in the Washington, D.C. area.

NNMC Bethesda received $5.0 million in fiscal year 1989 as a one-time fix for improving the management effectiveness of the command by applying the recommendations of the Medical Blue Ribbon Panel to improve the Navy's health care delivery.

The Management Assistance Team (MAT) was established in January 1989 to visit all Navy MTFs to exchange innovative ideas and to convey lessons learned from the RIT so that its investment can be of lasting value to the Navy.

Question. Which recommendations continue to be reviewed by the Team at Bethesda?

Answer. NNMC continues to work on resource issues relative to the balance between civilian personnel, military personnel, and contract personnel. We are also working on ways to facilitate access to health care.

Question. When should the Rapid Implementation Team be finished with its work?

Answer. The RIT completed its effort in October 1989; NNMC Bethesda is working open issues.

Question. How long has the Team been in operation and how much money has been spent on this effort through the end of fiscal year 1989? How much will be spent in fiscal years 1990 and 1991?

Answer. The RIT commenced 7 November 1988 and completed its formal taskings in October 1989. While $5.0 million was spent in fiscal year 1989, there were no funds designated as RIT initiatives in fiscal years 1990 and 1991.

PHYSICIANS IN ADMINISTRATIVE POSITIONS

Question. In fiscal year 1988, Congress directed the Services to reduce by 10 percent the number of physicians in administrative positions and return them to patient care positions. Both the Army and the Air Force complied with the Congressional direction. The Navy ignored this direction. Therefore, in its report accompanying the fiscal year 1990 DoD appropriation, this Committee again directed the Navy to reduce by 10 percent the number of physicians in administrative positions. A report outlining the Navy's plan for accomplishing the direction was due on January 1, 1990.

We have not yet received the report. When do you plan to submit it?

Answer. The report is in the final stage of review. It will be submitted once that review is complete. Application of the definition of "administrative positions" yields a fiscal year 1989 inventory of 70 physicians in administrative positions. This is a base from which further reduction is not possible.

[CLERK'S NOTE.—End of questions submitted for the record.]

WEDNESDAY, APRIL 18, 1990.

ON-SITE INSPECTION AGENCY

WITNESS

BRIG. GEN. ROLAND LAJOIE, DIRECTOR, ON-SITE INSPECTION AGENCY

INTRODUCTION

Mr. MURTHA. The committee will come to order.

This afternoon we will hear from General Roland Lajoie, Director of the On-Site Inspection Agency.

Today's hearing will address the operations of OSIA and inspection provisions in the treaty between the United States and the USSR on the elimination of intermediate range and shorter range missiles.

If you will summarize your statement, we will put your full statement in the record. Then we will ask you questions.

SUMMARY STATEMENT OF GENERAL LAJOIE

General LAJOIE. Thank you, sir.

I would like to use some charts, if you don't mind. Although, I understand you are not normally given to allowing them.

Mr. MURTHA. You have the charts here?

General LAJOIE. Yes, sir.

Mr. MURTHA. Sure. However, we find that witnesses are able to explain in more detail more quickly if they don't use the charts.

General LAJOIE. Sir, this will take about 10 minutes. Then I will be glad to answer questions about the statement, the charts or anything else you will be interested in.

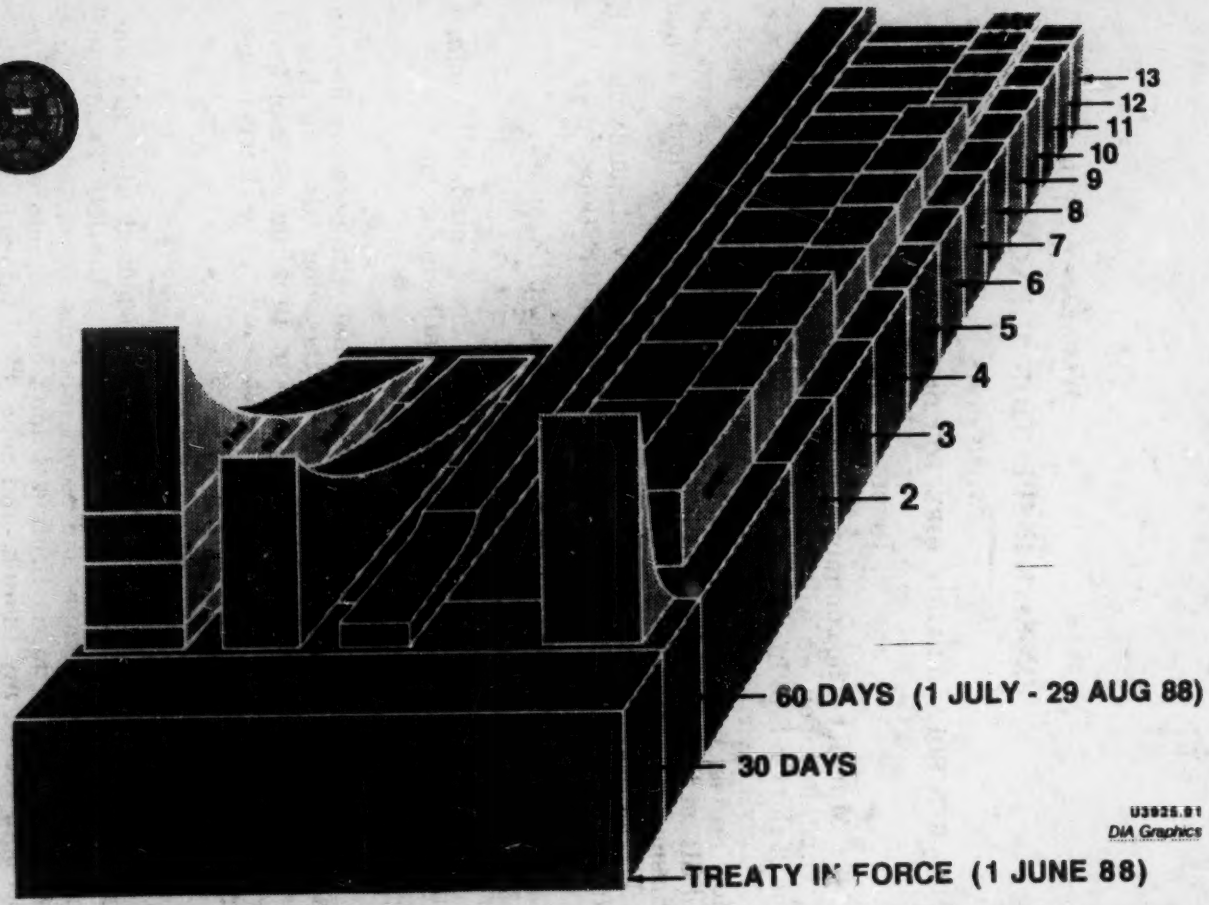
MISSION OF OSIA

I want to emphasize exactly what my responsibilities are and what they aren't. They pertain exclusively to the INF Treaty and only to doing inspections and escort missions associated with that treaty. So, I don't do verification, I don't do compliance. I do an inspection, record my finding, and send TMC information compiled back to Washington.

INSPECTIONS

From the Washington policy community emerges a compliance judgment or verification judgment. I only do specifically those kinds of inspections listed on the chart; each is mandated by the treaty.

[Chart follows:]


13
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60 DAYS (1 JULY - 29 AUG 88)
30 DAYS
U3925.91
DIA Graphics
TREATY IN FORCE (1 JUNE 88)

General LAJOIE. The first inspection is the baseline inspection. In fact this was the inventory done during the first 60 days to compare what the Soviets submitted in the MOU and what we actually saw in the ground. We did the base line in 60 days, a total of 117 inspections. All the numbers on types and locations matched.

Elimination inspections are those where every single item of equipment limited by the treaty is destroyed in front of ten pair of U.S. eyes that guarantee that the processes specified in the treaty are followed.

A close-out inspection occurs when an INF base has had all its missiles and related equipment removed and headed for elimination. We get a free inspection at that installation to make sure the unique INF infrastructure associated with the prohibited system has since been neutralized and the base can no longer support INF activity.

Short notice inspections are inspections we will be doing for the 13-year life of the treaty to spot check the process. We will go back to the bases and production facilities that have been closed out and make sure they are no longer involved in INF work.

The continuous monitoring is that permanent presence of U.S. inspectors that I have in the Soviet Union, camped at a Soviet final assembly plant, making sure that the SS-20 missile is no longer produced.

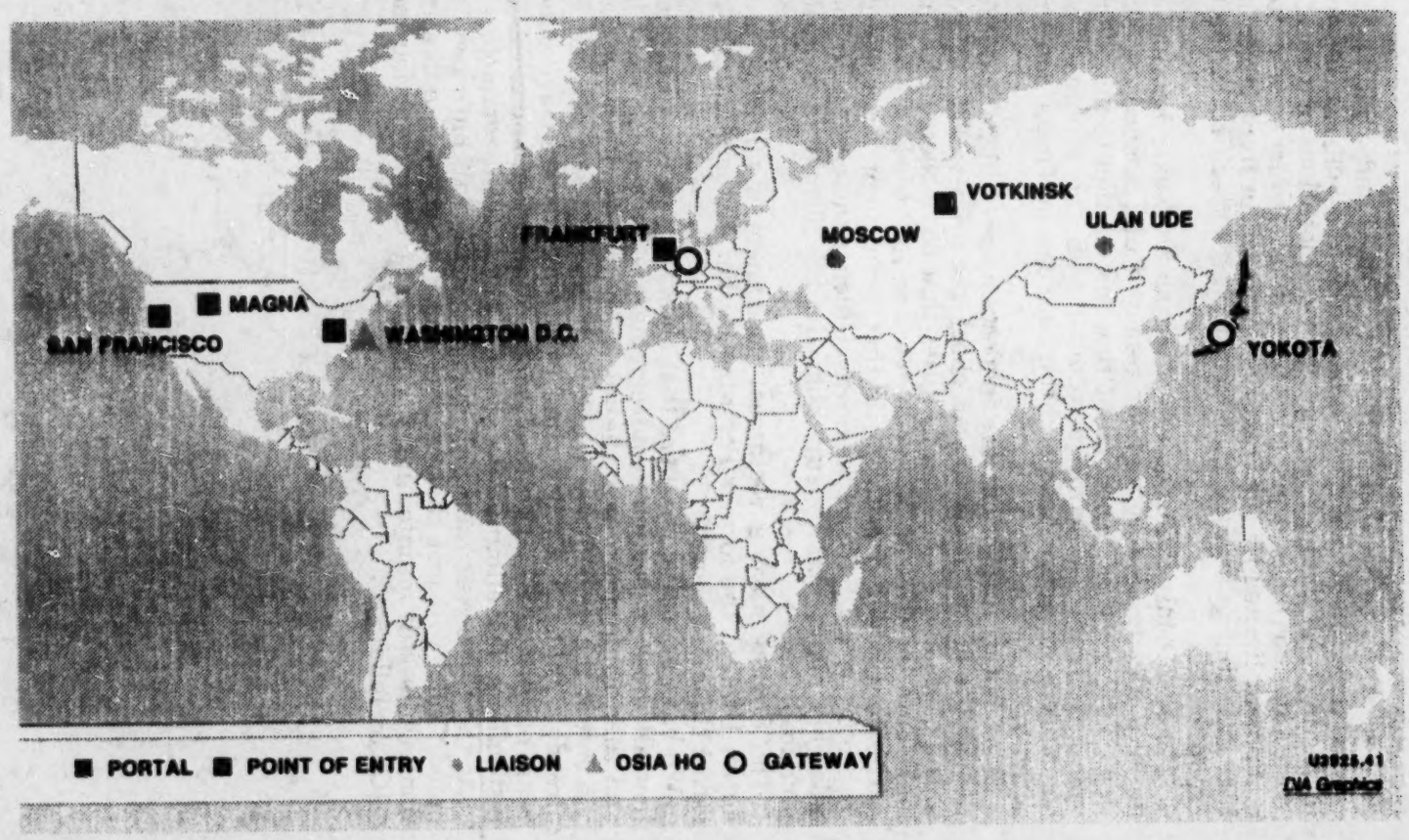
The Soviets have a reciprocal permanent monitoring presence out in Utah at the former Pershing Rocket Motor plant. My people escort them out there.

We have a small chart here that shows, if you can understand it, how all these inspection requirements are very much front loaded and then ramp down over the life of the treaty. I am approaching the end of the second-year mark right here. As you can see, I have already completed my base line requirements. We have done two years of, virtually two years of quota, elimination and close-out the inspections. The eliminations are about 80 percent complete.

At the three-year mark, all of the systems will have been eliminated, and I will just then be spot checking through quota inspections while still maintaining my people at the production facility.

[Chart follows:]

OSIA LOCATIONS WORLDWIDE



OSIA LOCATIONS

General LAJOIE. To accomplish all this activity within the timelines imposed by the treaty, we found that we really had to spread our people across 19 time zones. I have people in San Francisco to receive and escort Soviet inspectors coming in to do inspections in the western part of the U.S. There are 30 Soviet inspectors at Magna, Utah and I have 45 people watching the 30 Soviets to make sure their treaty activities don't exceed their treaty rights.

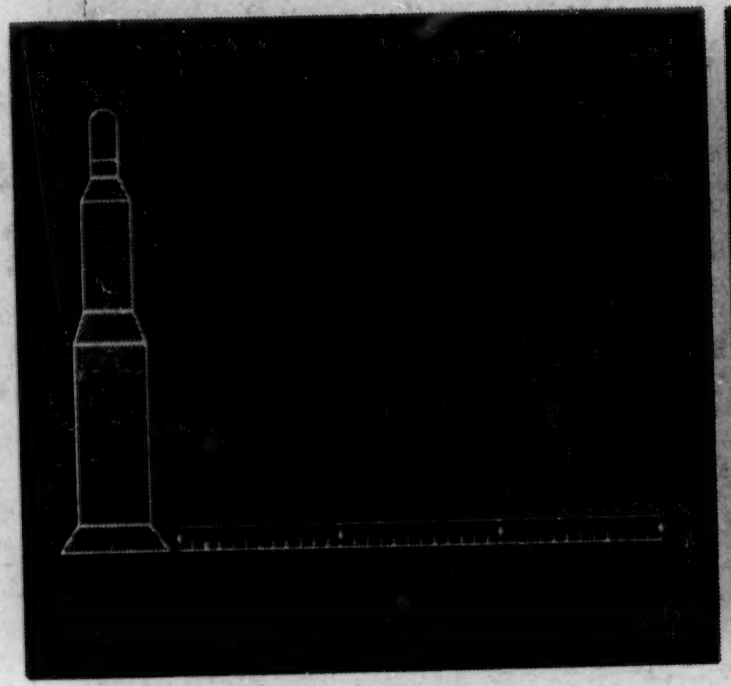
Our headquarters is in Washington, co-located with us is a small detachment that receives and facilitates Soviets coming through Washington, to do inspections in the eastern half of the United States.

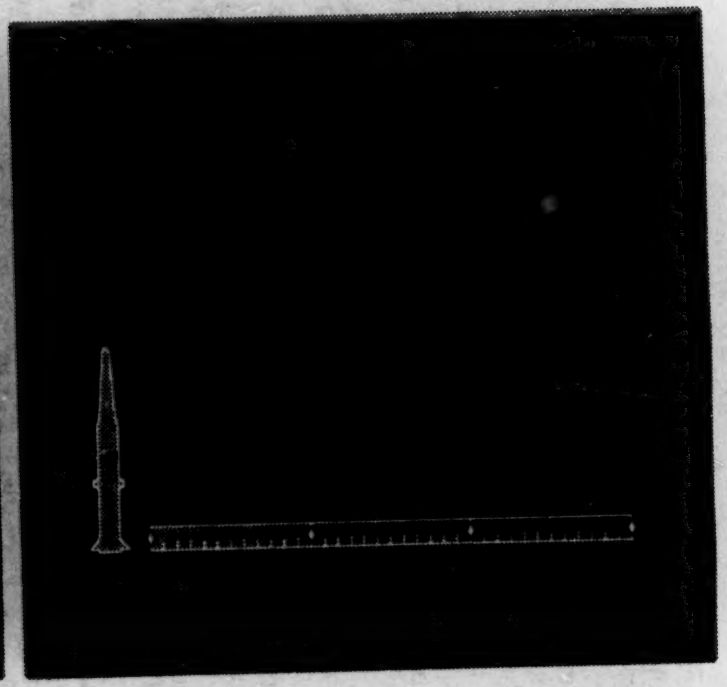
In Europe, we have a very important facility at Rhein-Main Air Base Frankfurt, Germany. That is where my people are based who organize the effort associated with Soviet inspectors coming in to do inspections in the basing countries of Europe. Also at Rhein-Main is what we call a "gateway," a facility where all of our inspectors going into the Soviet Union are briefed, equipped and launched on their inspection mission into the Soviet Union. At the embassy in Moscow we have four people to facilitate in country activity.

My continuous monitoring or "portal" presence is out in Votkinsk in the Urals. That is where the SS-20s used to be made and, where the SS-25 mobile ICBM currently is assembled. We have 30 Americans out there to make sure no SS-20s come out the door. When doing inspections in Siberia, there are two Americans at Ulan Ude to assist with that process. At Yokota, Air Force Base, Japan, we maintain a very small briefing, debriefing facility. Our inspectors will go from Washington to Yokota, spend a couple of days getting ready for the mission and then go on to the Soviet Union.

[Chart follows:]

INF MISSILE ELIMINATIONS





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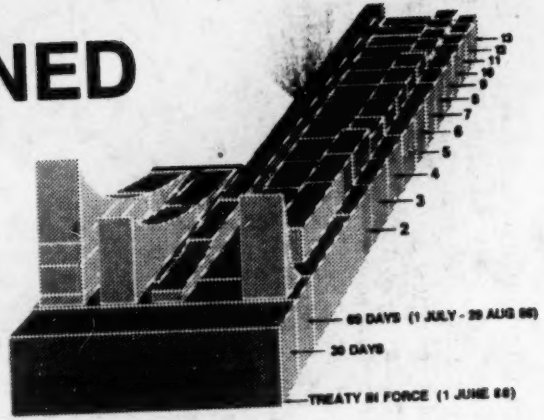
DIA Graphics

MISSILE ELIMINATIONS

General LAJOIE. The treaty is about eliminating missiles, here is where we are, sir. These numbers pertain only to the missiles. There are other associated components that also have to be eliminated. The Soviets started with 1,846 missiles and after, a steep elimination curve, are down to approximately where we are, and as a matter of fact have, gone a little bit below to approximately 89%. We are on a steady ramp. We started with 846 INF missiles and currently there are 364 missiles left. All of those on both sides will be finished by the end of May of next year.

[Chart follows:]

LESSONS LEARNED



- TREATY IS A WORKABLE DOCUMENT
- ROLE OF TEAM LEADER IS CRITICAL
- INSPECTIONS ARE BASICALLY LOW TECH OPERATIONS
- FORWARD DEPLOYED GATEWAYS KEY TO MEETING TIME LINES
- TDY INSPECTORS / ESCORTS DIFFICULT TO MANAGE BUT VITAL
- RELATIONSHIP WITH MAC IS BEST APPROACH TO AIRLIFT

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DIA Graphics

LESSONS LEARNED

General LAJOIE. We have been at it for almost two years now and some lessons have been learned in that period. Nothing terribly profound or provocative but nonetheless useful from an operator's standpoint. The treaty is a complicated, detailed treaty, but we found that it is a workable document and has served us well over the last 24 months.

I have found that the most important person in the inspection provess is the team leader—that individual who takes 10 American inspectors into the Soviet Union and on an INF missile base to serve as the President's representative. We provide the on-site data which contributes to our judgment about Soviet compliance with the treaty.

We prefer to keep the entire operation as low tech as possible. For the majority of the inspections, short notice elimination and close-out, we have achieved that; they are low-tech operations. Out at the portal, because continuous monitoring of a production facility is more complicated, the technology to help us solve that problem is also more complicated. We must understand that when we bring in high tech equipment and sensors to a remote area of the Soviet Union, there are a lot of problems in installing, operating and maintaining that equipment; and we need to make sure it is robust enough to do its job.

We could not implement this treaty effectively from the U.S. We had to set up two forward bases or "gateways" on either periphery of the Soviet Union in Japan and Germany. This allowed us to get our people in closer, put their body in the right time clock and receive their final briefings before going to the Soviet Union. Our manning concept for these inspection teams involves a small core of professional inspectors from the On-Site Inspection Agency supplemented by experts from the rest of the government.

This means I don't have to have ten highly qualified specialists that stay in my headquarters at all times; I have three or four OSIA people that know the treaty, and then for every inspection we bring in the rocket scientist, the missile experts, the Soviet analysts and other specialists that will help us do a meaningful inspection.

Finally, because so much of this involves flying inspectors around the world, we have turned over the airlift problem to the military airlift command. MAC is the cheapest, perhaps not the most comfortable, but the cheapest and most dependable way to get our people into the Soviet Union in time to——

Mr. DICKS. Have the Soviets cooperated with that?

General LAJOIE. Yes, they have.

Mr. DICKS. There have not been problems getting people in, what did you use? C-141s?

General LAJOIE. C-141s primarily.

Mr. DICKS. You take your crews that way. You flew the plane? We fly the planes, don't we?

General LAJOIE. We fly into the Soviet Union. The Soviets transport and escort us within the Soviet Union. We transport them in the United States after their arrival on Aeroflot.

[The statement of General Lajoie follows:]

STATEMENT OF BRIGADIER GENERAL ROLAND LAJOIE
DIRECTOR, ON-SITE INSPECTION AGENCY

Mr Chairman, Members of the Committee, it is a pleasure to appear before you again to provide you with a report on the operations of the On-Site Inspection Agency and the on-site inspection provisions in the Treaty between the United States of America and the Union of Soviet Socialist Republics on the Elimination of their Intermediate-Range and Shorter-Range Missiles, commonly called the INF Treaty.

OSIA is an agency created by the National Security Council and located in the Department of Defense. The National Security Decision Directive (NSDD) that established OSIA made specific provisions for senior representation from a number of agencies concerned with the arms control process. The Director of OSIA is a senior military officer or civilian official from the Department of Defense whose nomination is approved by the Secretary of State and the White House. The Principal Deputy Director is named by the Director of the Arms Control and Disarmament Agency while the two other Deputy Directors are nominated by the Department of State and the FBI. Each of those deputy directors have subordinate offices that assist them in their responsibilities. These provisions make OSIA a truly unique agency within the Department of Defense.

The INF Treaty established an unprecedented regime for mutual on-site inspection of the signatories' INF-related military facilities. When I appeared before this Committee for the first time on March 29, 1988, OSIA had been in existence only for a few short weeks and the Treaty was under consideration by the Congress. OSIA and the implementation of the Treaty have come a long way since then. Please permit me to summarize some of that experience for you.

The INF Treaty Inspection Protocol outlines five distinct types of inspections; baseline, short notice, portal perimeter, closeout, and eliminations. One month after the Treaty entered into force on June 1, 1988 we began the sixty-day baseline inspection period. Within those sixty days, OSIA inspection teams conducted baseline inspections at the 133 INF sites listed by the Soviets in the INF Memorandum of Understanding (MOU) including five sites in the German Democratic Republic and two in Czechoslovakia. Baseline inspections produced a physical count of every item of INF equipment listed in the MOU, verified the technical data of each separate equipment item against the MOU data, and completely examined all the inspectable areas outlined in the site diagrams included in the MOU. In addition, OSIA escorted Soviet inspection teams as they conducted their baseline inspections at each of the 31 inspectable INF sites in the United States, Belgium, Great Britain, Italy, the Netherlands, and West Germany.

Immediately following the end of the baseline inspection period, both parties entered into the first year of the Treaty inspection period. Short notice inspections can be made of any site listed in the MOU (except production and elimination sites) with only 16 hours advance notification of the inspection team's arrival at the appropriate point of entry. The Treaty allows each party 20 short notice inspections per year for the first three years of the Treaty, then 15 per year for the next five years, and finally 10 per year for the next five years. OSIA conducted its first short notice inspection in November 1988 and fully exercised its first Treaty year's allotment of 20 inspections in 1988-1989 . To date we have conducted 14 quota inspections during the second Treaty year,

which ends on May 31, 1990. The Soviets have also fully exercised their short notice inspection rights in this time frame.

Thirty days after the Treaty's entry into force, the first contingent of OSIA portal inspectors initiated continuous monitoring of the missile final assembly plant located at Votkinsk in the Ural Mountains about 1,000 kilometers northeast of Moscow. Since then, OSIA personnel, assisted by Hughes Technical Services Corporation, have fully exercised U.S. portal perimeter inspection rights while simultaneously installing and operating the array of inspection equipment allowed by the Treaty. To date, our inspectors have inspected 114 Soviet railcars declared to contain missiles not covered by the INF Treaty. Of this number 13 missile canisters have been opened as part of our right to visually inspect up to eight missile canister interiors per year. In the U.S. our portal escort detachment facility is co-located with the Soviet portal perimeter inspection facilities at the Hercules Corporation Bacchus East Plant near Salt Lake City, Utah. We have hired escorts around the clock to insure the Soviets exercise only the rights allowed them by the Treaty's inspection protocol.

Once all of the treaty-limited items and INF-related facilities have been removed from a declared site and all INF-related activity has ceased, then the inspecting party has the right to conduct an on-site close-out inspection to confirm that fact. An INF base which has been closed-out can still be converted to other military uses, including non-INF missile activity but it continues to be subject to inspection for the remainder of the 13 years of the life of the Treaty.

Finally, OSIA inspection teams have observed the elimination of over 80 percent of the Soviet's declared INF inventory at eight different elimination sites in the Soviet Union. OSIA escort teams have escorted Soviet inspectors witnessing the U.S. elimination process at four elimination sites, three in the United States, and one in West Germany.

To conduct its mission, OSIA has established an infrastructure that stretches across nineteen time zones around the globe. Our main headquarters is located in a facility near Dulles International Airport. A co-located escort field office coordinates all Soviet inspections of INF sites in the eastern United States. A second CONUS escort field office is located at Travis Air Force Base, near the San Francisco point of entry. Personnel stationed at that field office escort Soviet inspectors during inspections of INF facilities located in the western United States. OSIA's Utah portal detachment escorts the Soviet portal perimeter inspectors located at the Hercules plant. In Europe we have a field office responsible for escorting Soviet inspections at INF-basing countries in NATO and a European Gateway at Rhein-Main Air Base in Frankfurt, West Germany. At the Gateway we stage, brief and equip all OSIA inspection teams enroute to and returning from inspections in the western Soviet Union, East Germany, and Czechoslovakia. We use Military Airlift Command (MAC) transport aircraft exclusively to travel to and from the inspected countries. To coordinate all implementation activities within the Soviet Union we support a combined State Department/OSIA Arms Control Implementation Unit located at the American Embassy in Moscow. Finally, we have a Far Eastern Gateway at Yokota Air Base,

Japan to support the inspection teams going to Ulan Ude for inspections in the eastern Soviet Union.

OSIA is organized from the bottom up to ensure we fully exercise all of the on-site inspection rights and provisions outlined in the INF Treaty. The Operations Directorate includes an Inspection Division, an Escort Division, and an Operations Management Division. The Portal Monitoring Directorate includes the Votkinsk Inspection Division and the Hercules Escort Division. The Support Directorate provides logistic and administrative support throughout the Agency, with some assistance from the Defense Nuclear Agency, which provided most of that support early on, but has since transferred the bulk of responsibility to OSIA.

To conduct normal inspections, OSIA augments its relatively small inspector cadre with technical specialists on temporary duty to OSIA from the military services and other U. S. government departments and agencies. Each inspection team is specifically tailored for the facility it will inspect. The inspection team chief usually is a linguist with the rank of Lieutenant Colonel who has some previous experience dealing in Soviet military matters. Deputy team chiefs are either military or civilians, depending on the mission. Linguists are military, with the majority permanently assigned to OSIA. Missile operations specialists with U.S. missile experience are included to provide a "blue" perspective on the activity observed. Finally, there are both military and civilian specialists and analysts who provide the crucial technical expertise to the team. Roughly 40 percent of each team will be OSIA cadre, with the remainder TDY personnel. This mix helps keep OSIA's personnel figures at an appropriately lean level, augmented where necessary by temporary personnel who themselves return to their parent organizations enriched by their on-site inspection experiences.

OSIA escort teams are also organized with the scope of their mission in mind. Upon the arrival of the Soviet inspection team at the point of entry, the OSIA team chief acts as the official United States Government representative charged with interacting with the Soviet inspection team chief. He coordinates with the local base and in Europe with basing country representatives throughout the inspection process. Normally, the team chief is a military officer assigned to OSIA, and assisted by support personnel, and military linguists. At the point of entry, the escort team coordinates all necessary assistance by personnel from the U.S. Customs Department, the Department of Immigration and Naturalization, and the Department of Agriculture. Upon arrival at a U.S. base the OSIA escorts are augmented by local personnel who provide site-specific expertise to the effort.

The Soviet portal perimeter monitoring team at the Hercules Corporation Bacchus East Plant in Utah, is escorted around the clock by OSIA escorts. The Soviet team is allowed by the INF Treaty to inspect any vehicle entering or leaving the monitored perimeter area of the Hercules Plant if that vehicle is large enough to contain the first stage of the Pershing II missile, which was formerly produced at the Hercules plant. Soviet inspectors, escorted by OSIA personnel, exercise inspection rights according to the Treaty's inspection protocol. These rights are designed to ensure the inspecting party can gather

information to monitor the provisions of the Treaty without compromising the rights of the inspected party to protect the legitimate privacy of its missile production process. In addition to escorting Soviet inspectors at the plant, OSIA escorts, augmented by contract personnel and local security police, provide escorts at the Soviet housing compound located approximately five miles from the plant.

In Votkinsk, OSIA portal perimeter monitoring teams perform their production facility inspection mission provided for in the Treaty. The living facilities for the U. S. inspectors are immediately outside the gate of the Soviet Missile Final Assembly Plant. To conduct their inspection mission, OSIA cadre, augmented by contractor personnel, perform inspections of vehicles large enough to contain Soviet SS-20 missiles, which are banned by the INF Treaty and were formerly produced in the Votkinsk Plant. In addition, to measurements and visual observation, the Cargoscan X-ray system permits the U.S. to image the contents of every SS-25 missile canister leaving the plant to ensure that no treaty-limited missiles are shipped from the facility.

From January 1989, to October 1989, OSIA operated with a budget consisting of funds reprogrammed from DoD programs. Since then, OSIA has operated with its own budget, which stands at $38 million of O&M plus $1 million for procurement for Fiscal Year 1990. OSIA has requested $39 million O&M plus $1 million for procurement for Fiscal Year 1991. The main portion of our budget is spent on airlift, TDY/per diem, facilities and portal.

OSIA operating costs vary depending on the specific type of inspection . Typical costs for one U.S. short notice inspection in the Soviet Union are roughly $60,000. Escorting Soviet inspectors for one of their quota inspections averages approximately $34,000, although it can be considerably less if no airlift is involved. U.S. inspectors observing one cycle of Soviet eliminations costs roughly $61,000. Conversely, it costs OSIA $52,500 to escort Soviet inspectors during U.S. eliminations. Operating the portal detachments costs OSIA approximately $9.2 million per year at Votkinsk, and $3.2 million per year at Utah. The bulk of non-portal inspection and escort costs are related to airlift expenses. Airlift expenses comprise the major portion of the inspection and escort costs that are not related to perimeter portal activity.

CONCLUSION

In OSIA's brief but unprecedented history, we have learned a number of important lessons that may have a significant impact on future on-site inspection activities. First, to develop an on-site inspection activity, sufficient funding allocations in the right appropriations are necessary to cover a variety of start-up expenses that are crucial to the operation. Operations and support planners require office space in the initial phase to prepare for the eventual training of the inspectors and escorts. Acquiring permanent facilities for the organization is the longest lead item. To accomplish the on-site inspection and escort mission effectively and efficiently, a mix of permanent party personnel augmented by temporary duty personnel from other U.S. government agencies and from the military services has proven the best approach because of the complexity and importance of the mission. Identifying highly qualified

people is crucial. A close relationship between the operating inspection agency and organizations involved in the interagency compliance review process is essential. Conducting mock inspections at related U.S. facilities validates U.S. inspection and escort concepts and ensures the local site personnel are prepared to fulfill their roles in the escort activity. Establishing forward gateways close to the Soviet Union helps insure that fresh, well-rested inspection teams arrive at the point of entry to perform their mission. Finally, the inspection equipment used should be cost-effective, robust, appropriate to the inspection task performed, and to the environmental conditions where the task is performed.

Mr. MURTHA. I understand that you need to leave early. Let's dispense with the rest of the briefing and go right to the questions.

Mr. Dicks.

ADJUSTMENTS TO MISSION

Mr. DICKS. Your statement goes into detail on various inspections being undertaken by OSIA. After performing this mission for two years, what changes would you make if you had it all to do over again?

General LAJOIE. I don't think I would make very many changes. I would have liked to have started earlier because it is a complicated process and it involves a lot of people. I perhaps would have preferred a more flexible mix of money so that if I had a procurement need or a military construction need, I would have had the right color money to do all of that. I also have perhaps preferred a slightly less complicated approach to our verification technology at the portals.

Mostly, as I say, the treaty document work well. The basic inspection and escort concepts are sound. Two years have mostly vindicated the approach we started with.

INCIDENT AT VOTKINSK MISSILE PLANT

Mr. DICKS. A March 16 Evans and Novak article mentioned Soviet guards drew their pistols against unarmed U.S. technicians in a standoff at Votkinsk missile plant the previous Saturday.

Did such a situation happen?

General LAJOIE. No sir, that is nonsense.

Mr. DICKS. What do you know of this incident? What happened?

General LAJOIE. We know a lot about it because it is our inspectors that are at the factory gate and we had direct communications with them. During this incident, we maintained an open line.

Every missile that comes out of Votkinsk is preceded by a one half hour warning. Our inspectors then take all the appropriate measurements of the missile rail car. Next they go inside the rail car, to measure the missile canister to make sure it conforms to SS-25 parameters.

Now that we have installed our cargo scan, the next step would be to X-ray that missile canister. At the time of the incident that Evans and Novak referred to, there was a controversy over whether the cargo scan was fully operational. We insisted it was. The Soviets said it didn't quite match the parameters that had been agreed to in Geneva. Therefore, they wouldn't allow us to turn it on.

Mr. DICKS. They wouldn't allow you to X-ray the missile?

General LAJOIE. That is correct.

Mr. DICKS. Why do you think they did that?

General LAJOIE. Because they insisted the technical parameters of the equipment didn't match the agreement they signed in Geneva.

Mr. DICKS. Was that accurate or not?

General LAJOIE. We sent in a group of experts that explained, perhaps better explained than we had before, exactly how that equipment operated. These experts also made a few minor techni-

cal adjustments to the shipment that in no way reduced the quality of the effort or interfered with our treaty rights.

Mr. DICKS. They took the missile out without you X-raying it, correct.

General LAJOIE. That is correct.

Mr. DICKS. What does that X-ray give us?

General LAJOIE. The X-ray looks through the rail car, through the missile canister and sufficiently far into the actual missile to assure us there is not another missile inside of that SS-25 skin. So we are actually looking into the missile without the X-ray.

We can look at the canister and confirm it is a SS-25 canister and not a SS-20 canister. We can also open that canister nine times a year. Incidentally for those three missiles that came out, during the incident two of those we actually opened the canister and looked at the missile.

At this point you are looking at a 60-foot canister containing a three-stage missile. You are not getting the technical details you would like.

Mr. DICKS. Wasn't there some concern there might be an upgrade of the SS-25 and that is why were reacting the way they were; is that correct?

General LAJOIE. I saw some press speculation about that, yes, sir.

Mr. DICKS. As far as you can tell, was it an upgrade of the SS-25?

General LAJOIE. I have no information that would indicate yes or no.

COST OF X-RAY MACHINE

Mr. DICKS. As a related issue, a Los Angeles Times article mentioned this X-ray machine at Votkinsk cost over $6 million, while the Soviets use a long pole with graduated length markings and a flashlight at your Utah plant.

Did the X-ray machine cost $6 million? Was it worth the investment?

General LAJOIE. I suspect the X-ray machine, if you factored in all the research and development costs associated with it, cost more than $6 million. But I also suspect that if we decided to buy these for future portals, the new cost would be much less than $6 million.

There are two major differences between Magna and Votkinsk. The Soviet missiles come out in canisters. We need the ability to look into that canister to make sure it is the same missile announced by the Soviets and not a treaty prohibited item.

Mr. DICKS. You can't do this with a pole and a flashlight? You have got to have an X-ray?

General LAJOIE. That is correct. Our own missile at magna don't come out in canisters. Soviet inspectors can easily measure the external dimensions.

WORKING RELATIONSHIP BETWEEN COUNTRIES.

Mr. DICKS. I think you answered why you think we need an X-ray machine.

Overall, how would you describe the working relationship between the technicians of the United States and the Soviet Union?

General LAJOIE. The overall relationship between all the inspectors and the Soviet escorts is good, professional, businesslike. At Votkinsk, where we have our civilian technicians per se, there is not that much interface between the technicians and the Soviets. It is the six people from OSIA that serve as the official interface with the plant.

On the scene, working that X-ray, for instance, I think the Soviet technicians and the American technicians have a normal, professional rapport.

Mr. DICKS. Do you have any problems recruiting and keeping qualified linguists?

General LAJOIE. No, I don't. The availability of Russian linguists in the quality and quantity I would like to do this job has in fact been a problem. I am currently depending mostly on the military for my linguist needs. We think in the future we might need as many as 200 Russian speakers. We have alerted the services; they have energized the training base. It is not easy, but I think it is doable.

VERIFICATION PROCEDURES

Mr. DICKS. You mentioned you don't get into compliance or verification. There was an article in the Washington Times about a major verification problem, certain missiles having been found within Czechoslovakian, and other East European countries that would be in violation of the INF agreement. Do you get into any of that at all?

General LAJOIE. No, sir. SS–23s are in fact covered by the INF treaty but I only verify the numbers included in the MOU and only, at those specific locations indicated in the memorandum of understanding that accompanies the treaty.

Mr. DICKS. Would these East European countries ask you? Let's say the Soviets did pull out and there were some of these questionable missiles left behind. I assume they could take authority.

I think the Bulgarians said, "We are going to have to have a negotiation between the United States and Bulgaria over these SS–23s." I mean, would we provide them technical assistance if asked?

General LAJOIE. I really don't know, sir.

Mr. DICKS. Whose responsibility is it over the question of whether there has been a violation here?

If you know the treaty well enough, who is in charge in our government to ascertain whether these allegations are true or not?

General LAJOIE. It would be discussed by the interagency community, the policy community that make those decisions.

Mr. DICKS. This interagency group that is following the implementation of INF would have the responsibility within the Administration to check on these allegations about these SS–23's?

General LAJOIE. Yes, sir.

Mr. DICKS. Do you have any indication that the interagency group is looking into this matter? It is a serious charge.

General LAJOIE. Yes, sir, I think it is fair to say that they are discussing it.

Mr. DICKS. Who is the chair of the interagency group?

General LAJOIE. The interagency committee that I specifically report to for implementation issues is chaired by the Arms Control and Disarmament Agency.

Mr. DICKS. That is all I have, Mr. Chairman.

Mr. MURTHA. Mr. Livingston?

MISSILE DESTRUCTION PROCEDURES

Mr. LIVINGSTON. Thank you.

General, how are these missiles destroyed?

General LAJOIE. There are two ways to destroy them. During the first six months of the treaty both sides were authorized to launch up to 100 missiles, and in the process destroyed them in that way. Currently most of the remaining Soviet missiles are destroyed by explosive demolition, which means missiles are grouped together in two's or three's, conventional explosives are wrapped around the missiles, and the missiles are exploded including all the rocket fuel.

In our case we found that approach environmentally somewhat tricky.

We destroy our Pershings by taking the individual rocket motors, bolting them to a stand, setting off the firing mechanism and burning up all the rocket fuel. We then crush the casing, burying it on the site.

Mr. LIVINGSTON. Are you satisfied that the Soviets are destroying their missiles according to schedule?

General LAJOIE. Yes, sir, I am.

MISSILES COVERED IN TREATY

Mr. LIVINGSTON. Recently it was discovered, at least in the press, maybe earlier by you and others, that East Germany had some INF missiles which should have been covered except for the fact that the Soviet Union later said they gave them to the Germans, and so they didn't consider them worthy of being counted.

I understand there may be others in Hungary?

General LAJOIE. Bulgaria and Czechoslovakia.

Mr. LIVINGSTON. And no telling how many others.

How are you relating those to the treaty?

What are we doing about that?

General LAJOIE. Once again, sir, since those numbers were never included in the treaty and are not located at facilities covered by the treaty, they are totally beyond my jurisdiction.

Mr. LIVINGSTON. We didn't count them in the first place?

General LAJOIE. That is correct.

Mr. LIVINGSTON. We didn't know they were there?

General LAJOIE. That is correct. The missiles in the MOU we have identified I have physically counted and watched destroyed, so I know those numbers are good.

Mr. LIVINGSTON. Is there any attempt to include these missiles under the treaty?

General LAJOIE. This question is being discussed by the interagency community now, and I don't know what the decision will be.

Mr. LIVINGSTON. We have to wait and see what—who is in charge of that?

General LAJOIE. The interagency?

Mr. LIVINGSTON. Arms Control Disarmament? If they give you the orders to include them in your numbers, you would do it; right?

General LAJOIE. My numbers are those numbers that are in the treaty. Those treaty numbers, I have counted and I have watched them destroyed.

Mr. LIVINGSTON. It just concerns me that if we are abiding by the terms of the treaty, and that we understood what the "withdrawal missile make up" to be, and then we subsequently find other missiles which we never even contemplated or counted, that we are not getting a fair account of the deal; are we?

General LAJOIE. I am not sure it is appropriate for me to comment on that issue. It is being actively and currently discussed by the interagency. I am just an operating element of that policy community.

Mr. LIVINGSTON. To the best of your knowledge, is the negotiating arm attempting to include those missiles and deal with them or are we just going to let go of them?

General LAJOIE. I am not sure.

Mr. LIVINGSTON. To the best of your knowledge, is there any attempt to include these missiles within the INF?

General LAJOIE. I don't know whether there is an attempt to include them in the treaty. I know there is an energetic attempt to come to some kind of accountability of those systems with the Soviet Union.

Whether or not they were transferred to those Warsaw Pact allies prior to the treaty going into effect, who owns the missiles, where are they located, what are the exact numbers, I know that is being actively worked.

Mr. LIVINGSTON. Is there an attempt to determine whether or not there are any other missiles which should have been found which we do not yet know about?

General LAJOIE. I think, sir, yes, there is.

Mr. LIVINGSTON. Whose responsibility was it to determine that these missiles were there?

General LAJOIE. Well, I suppose it is the intelligence community's responsibility to continually watch over these areas to see if there are any missiles currently covered by the treaty that would not be in declared facilities.

Mr. LIVINGSTON. Wasn't that the responsibility of the Soviets under the treaty to forthrightly admit, "Look, we have got so many missiles and you have got so many missiles," so they could be counted.

How are we to define where they might have missiles?

General LAJOIE. I think it is fair to say that they had an obligation to tell us about those systems. They, in fact, have said that since the missiles were transferred prior to the INF treaty going into effect, they are not covered by the INF treaty, and that therefore, they had no obligation to discuss that matter with us.

Mr. LIVINGSTON. Do you believe they are in violation of the treaty by virtue of the discovery of those missiles?

General LAJOIE. Once again, I don't think that is my call.

Mr. LIVINGSTON. Thank you.

OSIA FISCAL YEAR 1991 BUDGET

Mr. MURTHA. General, your budget was padded last year and the year before by $12 million.

Did you make up this budget?

General LAJOIE. Yes, sir, I do. I would have picked another word besides padded. It was an honest projection based on information that we had available to us.

Mr. MURTHA. Well, for two years it was $12 million over. That is a pretty substantial miscalculation. What would be the impact if we were to cut the $12 million this year?

General LAJOIE. I think that if you look at our budget, what we projected and what we actually spent, those lines are coming together. The initial budget for 1988 was admittedly a stab in the dark. We had never done this before.

1989's figures were submitted before we had done a single inspection, so there is a lot of guesswork involved in that year's figures as well. Now we have come into 1990, and we have had a year of experience.

Our numbers are pretty good. You will see then that our numbers are, in fact, getting closer and closer.

Mr. MURTHA. What if we cut your budget by $12 million this year? What would be the impact?

General LAJOIE. You would start to get into airlift, our ability to support our continuous monitoring sites. I don't think we could accept a cut of that significance which would be about one fourth.

Mr. MURTHA. Dick Cheney said he couldn't accept a $30 billion cut, then the White House went over and changed it. The budget changes all the time. What you can accept is that we appropriate.

You have to get by with less money like everybody else. For you to tell me you can't accept it, that is certainly not the way it works around here. We appropriate the money and you spend it in line with what we appropriate.

Tell me what the impact would be if we were to cut $12 million from your budget? That is the question I am asking, General.

General LAJOIE. Yes, sir. I am trying to tell you——

Mr. MURTHA. Tell me what practical impact would be. I don't need to see the chart, General. I need to hear what the practical impact would be. Tell me in dollars and cents what would happen if we cut $12 million from your budget.

General LAJOIE. I think what that would mean is we would no longer be able to provide the airlift that is necessary for us to do the inspections mandated by the treaty.

Mr. MURTHA. How much is that?

General LAJOIE. Airlift costs are $8 million, which is paid to the Military Airlift Command.

Mr. MURTHA. What else?

General LAJOIE. Other major items include portals, both in the Soviet Union and the United States, those continuous monitoring facilities, cost us about $13 million a year.

Mr. MURTHA. What is that?

General LAJOIE. What we call the portals.

Mr. MURTHA. You are talking about your living quarters?

General LAJOIE. I am talking about the technology, the living quarters, the rotating the inspectors in and out.

Mr. MURTHA. Does that pay for your food? And it doesn't include transportation?

General LAJOIE. It does include some transportation of supplies. Yes, sir.

Mr. MURTHA. All right. That is $21 million.

General LAJOIE. Civilian pay——

Mr. MURTHA. In other words, you are telling me if you cut $12 million, you would have to cut personnel? Is that what you are telling me?

General LAJOIE. I am not sure, sir. I would have to give you a serious a response as the question deserves, I would have to go back to my headquarters.

Mr. MURTHA. Give me a breakdown for the record so we know exactly where we are as far as money goes.

We want to provide adequate money for these inspections but we don't want to provide any extra because we have so many places where we are going to have to make serious cuts.

Major systems are going to have to be cut out. We would appreciate a detailed explanation of exactly what would happen if we were to cut $12 million from your budget.

General LAJOIE. Yes, sir.

[The information follows:]

Both the FY 1990 and FY 1991 budgets have already been reduced by that amount. This adjustment was made based upon a refinement of anticipated operational workload and support requirements. The revised O&M budgetary figures for FY 1990 and FY 1991 are $38 million and $39 million respectively.

[CLERK'S NOTE.—This response does not provide the impact to OSIA's mission if funds are cut in FY 1991.]

Mr. MURTHA. Mr. Livingston?

Mr. LIVINGSTON. No questions.

Mr. MURTHA. Thank you very much, General. We have several questions for the record. The committee is adjourned until tomorrow at 10:00 o'clock.

[CLERK'S NOTE.—Questions submitted for the record and the answers thereto follow:]

PROGRAM COSTS

Question. The total DoD request for INF Treaty requirements is $110.4 million and supports 234 military and 209 civilians. What interaction do you have with the various DoD activities in determining the overall DoD budget request for INF treaty requirements?

Answer. OSIA has little interaction with the various DoD activities in determining the overall budgetary requirements for the INF Treaty. We do interface with organizations such as the Military Airlift Command and other organizations, but only to the extent that these activities affect the OSIA budget preparation.

Question. Almost $50 million was appropriated for OSIA in FY 1990. An additional $3.3 million was provided to the Defense Nuclear Agency (DNA) to provide administrative support to OSIA. The FY 1990 current estimates are $38 million for OSIA and $1.1 mil-

lion for DNA support. What happened to the difference of $14 million appropriated in FY 1990?

Answer. The difference between OSIA and DNA budgets versus the appropriation is the result of a refinement of the program requirements after submission of the President's Budget to Congress. OSIA is cointinually redefining budgetary requirements based upon achieved economies, changing requirements and efficiency gains. This effort will continue to ensure that future budgets reflect actual requirements.

Question. For the record, provide the FY 1990 requested, appropriated, and current estimate for each of the DoD activities who request funds for INF Treaty requirements.

Answer.

Organization/ Activity	Requested	Appropriation	Current Estimate
Air Force	7.4	7.4	6.3
Army	39.0	39.0	36.3
Navy	11.6	11.6	4.5
OSIA	50.8	50.8	38.9
DIS	.3	.3	.1
DIA	Deleted	Deleted	Deleted
NSA	Deleted	Deleted	Deleted
OSD	.4	.4	.4
DNA	3.2	3.2	1.1
Total	141.8	141.8	107.9

Question. The OSIA FY 1991 budget requests $39,280,000 for Operation and Maintenance and $1,000,000 for procurement:

What are the major items included in the $39.3 million O&M request?

Answer. The major items in the $39.3 million O&M request include $8.9 million for Military Airlift Command (MAC), $2.6 million for civilian pay, $5.0 million for travel, $2.6 million for civilian pay, $5.0 million for travel, $2.5 million for facility leasing, communications and utilities, $1.4 million for facility leasing, $9 million for Portal Operations and $1 million for linguist training.

Question. What is being procured with the $1 million in procurement costs?

Answer. The $1 million of procurement funds is primarily for Automatic Data Processing (ADP) equipment.

Question. The Defense Nuclear Agency (DNA) also requests $1,136,000 to provide administrative support to OSIA.

What administrative support did DNA provide OSIA last year and what will DNA provide in FY 1991?

Answer. In FY 89 DNA provided OSIA with support in the areas of contracting, security, engineering, budgeting, financial management and accounting, audio visual, civilian personnel, contract legal review an Automatic Data Processing (ADP) support.

Question. If OSIA is picking up more of the administrative support, such as contractual and purchasing responsibilities, printing, and security, wouldn't it be prudent to transfer all the administrative support from DNA to OSIA?

Answer. Since the beginning of FY 1990 OSIA has been assuming most of the support functions that had been provided by DNA. Security, audio visual and ADP support have already been transferred. Both contracting and procurement review are scheduled to completely transfer to OSIA effective 1 July of this year. The budgeting and financial management/accounting functions are planned for transfer 1 October of this year. Eventually, it is OSIA's plan to achieve a completely stand along capability except for limited ADP technical support and engineering support.

Question. In FY 1990, the OSIA civilian end strength was estimated to be 41. Now, the FY 1991 budget shows an estimated end strength of 71 for FY 1990. Explain the reason for the growth.

Answer. Along with the functional transfers discussed above came the transfer of 30 personnel from the Defense Nuclear Agency. Added to the 41 originally budgeted for, this brought the total to 71.

Question. How can you hire 30 additional civilians in FY 1990 and still have almost $12 million to reprogram out of OSIA?

Answer. The funding for salaries required by the additional 30 personnel was transferred from DNA to OSIA. After a careful review of FY 1989 expenditure experience reflecting OSIA's first operating and maintenance funding. The current level of funding reflects a projection of requirements based on operational workload and support using current planning guidelines.

Question. For the record, list the programs and agencies which received the $11.5 million in reprograming. Why wasn't a reprograming document forwarded to the Committee since the total transfers exceed $10 million?

Answer. Under existing reprograming agreements, a reprograming document is submitted to Congress when increases to an agency reach $10.0 million or more. The Defense Mapping Agency was provided $5.6 million for LANDSAT and the DoD Dependent Schools were issued $5.9 for Section 6 Schools requirements from this OSIA reduction.

Question. What are the responsibilities of the 25 contract employees? How much is budgeted for their support?

Answer. The Hughes Technical Services Contract (HTSC) provides up to 25 personnel for assignment on site at any given moment when directed by the Director, On-Site Inspection Agency. These personnel—as well as HTSC personnel assigned to the HTSC Program Management Office in Manhattan Beach, California and at OSIA/Field Office Europe, Frankfurt, West Germany—provide the following in support of the Votkinsk Portal Monitoring Facility (VPMF): operation of all inspection equipment; watchstanding in the Data Collection Center (DCC) round-the-clock, year-round (includes participation in actual inspections at the portal and in perimeter patrols); maintenance and repair of all inspection equipment; maintenance and repair of ancillary site equipment owned by the USG: logistics and resupply efforts; spare-parts management; para-medical assistance; site administration; linguistic and interpreter support; food preparation and messing; and participation in representational functions. One U.S. site commander and four U.S. duty officers—all employees of the federal government—

provides all official interface with the Soviet Government and represent the U.S. Government on-site.

The U.S. Government spent $7.0 million for contractor support of the VPMF in fiscal year 1989; this amount included some installation costs as well as operations and maintenance. The U.S. Government will spend approximately $5.5 million in FY 1990 and $5.9 million in FY 1991 for most contractor support; these expenditures are predominantly O&M costs although a portion includes the installation of CargoScan for FY 1990. It should be emphasized that these figures do not summarize the total cost to the U.S. Government for supporting and maintaining its portal-monitoring presence at the VPMF. For example, the following costs are included: airlift support primarily for cargo flights; expenses incurred by the Soviet Government in supporting the U.S. presence (and not yet charged to the U.S. Government); and, ancillary costs created by contractor personnel, but paid for by OSIA separately (some lodging in Frankfurt is covered by a separate contract with a local hotel).

INSPECTION TEAMS

Question. For the record, provide by inspection, the number of personnel involved, and length of time. (As of April 30, 1990.)

Answer. Each inspection team consists of ten persons 117 Baseline Inspections—each lasting one day 100 Elimination Inspections—lasting 10-30 days 37 Short Notice Inspections—each lasting one day 82 Close Out Inspections—each lasting one day 555 Inspectors were involved—440 of them temporary duty.

FLEXIBLE APPROPRIATIONS

Question. In your statement, you mention that flexible appropriations that can be used for a variety of unanticipated expenses are necessary to develop an on-site inspection activity. Why are flexible appropriations required? Does OSIA still require flexible appropriations? If so, what steps have you taken to initiate such?

Answer. OSIA's experience in the implementation of the Intermediate-Range Nuclear Forces (INF) Treaty revealed that appropriations in addition to those for operations and maintenance (O&M) were required. A proper mix of procurement, military construction and O&M funds are needed to meet the various expenses incurred to meet treaty requirements. OSIA has included a mix of these appropriations in future budgetary projections.

FUTURE TREATIES

Question. Several other treaties with the Soviet Union are currently being pursued, such as START, CFE, and chemical weapons. Has OSIA been tasked to perform any preliminary duties for future treaties? If so, for which treaties? If not, why not?

Answer. The National Security Council has directed the Department of Defense to task OSIA to undertake general planning for the implementation of the on-site inspection and escort activities associated with potential arms control agreements currently under negotiation. In response to this tasking OSIA has begun to study

the requirements for funding and personnel—both permanent cadre and TDY—to support implementation for future agreements as soon as they are signed, ratified and enter into force.

Question. Do you believe that the inspection and compliance procedures established by OSIA could or should be used as a basic framework for these other treaties? Why? Why not?

Answer. Yes. The On-Site Inspection Agency has put into place an effective inspection and escort regime that has proven successful in meeting the operational requirements of the INF Treaty. Our system coordinates all activities which support onsite inspection and escort operations to include the provision of personnel, passports, visas, clothing, equipment, transportation and funding. Building on this framework is prudent and will take advantage of the corporate knowledge gained and lessons learned by OSIA.

Question. A February 18th Los Angeles Times article mentions that the Department cites $25-30 million a year for verification of the INF Treaty and that the START Treaty which has four times more provisions than INF could cost about $100 million a year for verification. Do you agree with that assessment?

Answer. Until the terms of the START Treaty have been finalized and agreed upon by both countries, it's difficult to project OSIA's exact funding requirements. Obviously, START will be a significantly larger effort than that for the INF Treaty and costs would be commensurately higher. Whether that requirement is four times that of INF is difficult to say at this time.

Question. Since OSIA's budget is $40 million and total DoD expenditures for INF verification are about $110 million, do you know where the $25-30 million figure for INF verification came from?

Answer. I have no idea where this figure came from.

Question. This same article mentions that total verification for the treaties under consideration could approach $1 billion a year by the end of the decade if the detailed inspections done under INF are used for future treaties. Do you agree with this assessment?

Answer. I have no basis on which to agree or disagree. OSIA does not have the total visibility of the cost associated with treaty implementation beyond those budgeted for our mission requirements.

[CLERK'S NOTE.—End of questions submitted for the record.]

WEDNESDAY, MARCH 28, 1990.

OPERATION AND MAINTENANCE, ARMY

WITNESS

BRIGADIER GENERAL JOSUE ROBLES, JR., DIRECTOR FOR OPERATIONS AND SUPPORT, ARMY BUDGET OFFICE, HEADQUARTERS, DEPARTMENT OF THE ARMY

INTRODUCTION

Mr. HEFNER. The committee will come to order.

We will continue this hearing on the operations and maintenance appropriation. We have Brigadier General Josue Robles, Jr., Chief of Operations Division. He is here to testify on the Army's O&M appropriation.

We would like to welcome you, General. Your entire statement will be part of the record. You may summarize as you see fit. We are happy to have you before the committee.

SUMMARY STATEMENT OF GENERAL ROBLES

General ROBLES. Good afternoon, Mr. Chairman. I am Brigadier General Joe Robles. I use the Americanized version of my name versus my christian name of Josue. I am from the Army Budget Office. I am honored to have the opportunity to appear before this subcommittee once again, to discuss our FY 1991 Operation and Maintenance, Army appropriation budget request.

As you noted, I have provided a more detailed statement that you have entered into the record. I think it goes without saying, that the Army is undergoing some challenging and very difficult times today. I would like to quickly summarize the Army fiscal year 1991 operation and maintenance budget request.

FISCAL YEAR 1991 DEFENSE BUDGET

First, I would like to thank your committee and the rest of the Congress for the $609 million increase we received in last year's appropriation for key Army programs. We received money for central supply activities, environmental programs, reduction of our depot maintenance backlog, and real property maintenance programs. These increases assisted us in alleviating some very severe problems we were facing in this fiscal year. In fact the money helped us set an appropriate and proper baseline for our 1991 budget request.

We are faced with many challenges as we begin development of our fiscal 1991 OMA budget request. Not only are we embarking on a new decade where the resources outlook is on a declining level; but we are also adjusting very rapidly to changing global situations and the fundamental restructuring of our traditional adversaries. In addition, the implications of over $900 million worth of program

reductions, including $274 million worth of transfers, out of the O&M appropriation in fiscal 1990 radically changed the mix of our programs as we developed our fiscal year 1991 budget.

REDUCTIONS IN O&M

The Army had many difficult decisions to make as we scaled back our personnel, our units and other programs in our budget request. We also had to incorporate reductions for defense management review initiatives totalling $1.2 billion in the Army's budget request. Force structure reductions totaling $354 million in the Army's O&M request and base realignment closures were factored into our budget. The defense management review initiatives assumed fundamental changes in the way the Army will do business in the future. The OMA appropriation share of the savings is approximately $473 million in fiscal year 1991.

Some of the major areas we expect to improve through management efficiencies are in reducing travel expenditures; reducing our overage, overmileage vehicle fleet in operations support cost; developing standardized ADP systems; reducing our transportation costs; improving and streamlining our logistical systems, and streamlining our Army Materiel Command. In addition, we are making major changes in the way we operate our stock funds. As you know, the relationship between the O&M account and the stock funds is very intricate and interwoven as a set piece.

STOCK FUND

In our 1991 budget submission we incorporated overhead charges into our stock fund items. The consumable items we buy out of the O&M appropriation from the stock fund will more fairly represent the true fair market value cost of the item. This is a major initiative in the Department of Defense. In addition, in our industrial fund, we are going to request a $151 million direct appropriation as opposed to passthrough. Traditionally the passthrough was used to make up for operating losses in the previous years.

FOREIGN CURRENCY ACCOUNT

The final point I will make is that we are also seeking some additional flexibility in our foreign currency account. As you know, we currently have the ability in the operations and maintenance area to take prior year unobligated balances and put them in the foreign currency program to pay our foreign currency bill. That has been a roller-coaster ride of late, particularly in O&M. As a matter of fact, this year we are anticipating a short fall on the order of $370 million in our foreign currency account in the operation and maintenance area because of declining deutsche mark and dollar relationships.

But, I think I would be remiss without also pointing out that our military personnel accounts also suffer from this problem. As it currently stands, they do not enjoy the ability to use the defense foreign currency account. We have put forth a legislative proposal to change that so, they can also benefit from the defense foreign currency account. They are currently having to come over with reprogrammings to make up the difference in foreign currency.

SUMMARY

Finally, I would say that the Army will continue to meet the allenges we confront in the future. Some things the Army wanted to do in 1991 we are not going to be able to do. We will have to live with a smaller, leaner Army. Over the last few years we made great strides in trimming off the excess. We are at the bone. I believe we have a balanced budget. Maybe a fragile balance, but we do have a balanced budget we submitted to you.

The fiscal year 1991 OMA appropriation supports the Army of the 1990s, which will be a smaller, more deployable yet more lethal force. I thank you for the opportunity to appear before your committee. I look forward to answering your questions.

[The statement of General Robles follows:]

STATEMENT OF GENERAL JOSUE ROBLES, JR.

Mr. Chairman and Members of the Committee:

I am delighted to have the opportunity once again to present the Army's FY 1991 Operation and Maintenance, Army (OMA) Appropriation budget request.

As we leave behind the 1980's and march into the 1990's, the Army faces many challenges as we restructure our forces. The Army of the 1990's will be smaller, more versatile, highly trained, and ready so that it is a mobile fighting force capable of executing the National Military Strategy.

Embedded in this vision are the six imperatives which have shaped our planning, programming and budgeting decisions. The Army will continue to work to attract and retain quality personnel; sustain our war fighting capability; achieve an appropriate mix of forces; create tough realistic training; continue to modernize our equipment; and develop and challenge leaders. The key is planning. With careful steps the Army can restructure its professional force of volunteers into a lean nucleus of versatile, deployable and lethal units.

The OMA appropriation provides the essential funding to support the Army leadership's vision of a balanced, deployable, and lethal force. The basis of our war fighting capability is quality soldiers. Given the volunteer nature of our force we must continue to attract, challenge and retain talented individuals. We ask much of our soldiers and their families; therefore, the Army must ensure that their fundamental needs are met for such things as housing, medical care, and child care services. Additionally, the Army must train its soldiers in a realistic and demanding environment such as is offered at our Combat Training Centers and Joint Chiefs of Staff (JCS) exercises. If the time comes, our soldiers will be prepared to hit the ground running and meet the challenges that they are likely to face.

Our soldiers need to be organized into fighting units that demonstrate resolve and versatility through forward deployed units, backed by a strategic reserve force capable of rapidly projecting land forces. Additionally, given the advanced technology of today's world, our soldiers need modernized equipment, training and education, as well as support networks to ensure qualitative advantages over our potential adversaries. Finally, to lead our soldiers we need trained, competent, and confident leaders to challenge, motivate and command our soldiers in war and peace.

In recent years, with your help, we have improved the Army's readiness by recruiting and retaining quality soldiers, enhancing soldier and civilian skills, and modernizing the force with equipment of much greater capability. Maximum readiness depends on a rational balance among the investment, personnel, and operation and maintenance appropriations. As we draw down the force, in a constrained budgetary environment, we must maintain this equilibrium as we prepare for the Army of the future. We feel our FY 1991 OMA budget request provides the minimum essential funding to operate and support a lean lethal Army.

MANAGEMENT TRENDS

Given the changing political and financial terrain, the Army is stepping forward to meet the challenges of a reduced force structure and more consolidation of activities. These dramatic changes require new and innovative ways of thinking and managing to shape the Army of the future.

As you are well aware, the Army's implementation of the 1986 Packard Commission recommendations to improve the defense

acquisition process and the current Defense Management Review initiative will have a major impact on the Army beginning in FY 1991. The Army Materiel Command (AMC) and Information Systems Command (ISC) will bear the brunt of the reductions in their efforts to streamline acquisition operations. A step in this direction involves the breaking out of the Program Executive Offices (PEOs) from our AMC to separate operating agency status. This action which began in FY 1990 removes a layer of management and provides direct Headquarters funding to the PEOs.

The Base Realignment and Closure actions will further transform our command and control structure. The closing of bases, transferring of missions, displacement of personnel and the required environmental clean-up projects will require total force cooperation as we move closer to a more streamlined Army.

FORCE STRUCTURE CHANGES

FY 1990 Congressional actions as well as the impact of Gramm-Rudman-Hollings sequestration brought major changes to Department of Defense force structure. The repercussions of these actions have not only directly impacted our FY 1991 budget request but, will also echo throughout the Army budget for years to come.

In FY 1991, the Army's force structure will decline from 28 divisions to 26 divisions (16 active and 10 reserve). Our FY 1991 OMA request reflects the impact of these force structure reductions. Forward deployed forces will be reduced accordingly as the nature of the global threat changes and we successfully negotiate a Conventional Forces in Europe (CFE) treaty.

The Army's civilian work force was reduced by 12,042 people from the FY 1991 column of the FY 1990/91 Amended President's Budget Request in our current FY 1991 budget request. Currently, DOD has imposed a hiring freeze for FY 1990 which will help in reducing our civilian work force.

As we bring down civilian strength levels, programs like Managing the Civilian Work Force to Budget (MCB) provide the Army maximum flexibility in utilizing its civilian work force. Currently, this test program which affects 61 Army activities in FY 1990 manages by a single dollar limit for civilian personnel costs and eliminates administrative controls on employment levels, high grade positions, and overtime. MCB will be expanded in FY 1991 to all Army activities within the Continental United States (CONUS).

OMA FUNDING PERSPECTIVE

Chart one shows the growth in the OMA budget from FY 1987 through FY 1991.

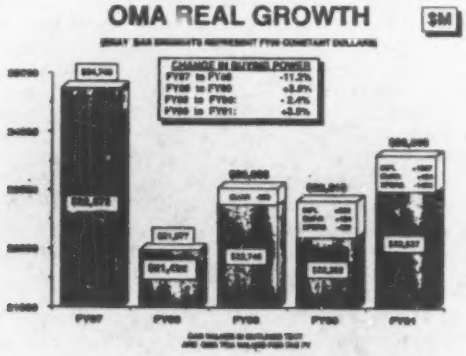


Chart two is a listing of the FY 1991 OMA budget request, by budget category, and the resulting dollar allocation:

OPERATION & MAINTENANCE, ARMY
BUDGET PROGRAM
($ IN MILLIONS)

PROGRAM	FISCAL YEARS 1989	1990	1991
2 GEN PURPOSE FORCES	3,982	4,072	4,337
3I INTELLIGENCE	308	343	370
3C COMMUNICATIONS	997	1,038	1,227
7E ENVIRONMENT	233	0*	0
7S CENTRAL SUPPLY	3,189	2,842	2,629
7M MAINTENANCE	2,424	2,448	2,236
8T TRAINING	1,163	1,173	1,265
8M MEDICAL	2,487	2,669	2,871
8O OTHER	747	753	765
9S ADMINISTRATION	944	928	834
10 OTHER NATIONS SUPPORT	242	281	262
11 SPEC OPNS FORCES	198	209	0
12 BASE OPERATIONS	6,121	6,198	6,897
TOTAL PROGRAM	23,035	22,810	23,583

* ENVIRONMENTAL (DERA) FUNDS TRANSFER INTO THE ACCOUNT DURING THE YEAR OF EXECUTION. FY 1990 FIGURE IS $204M.

HIGHLIGHTS OF THE FY 1991 OMA BUDGET REQUEST

READINESS

UNIT TRAINING

Keeping our units ready for wartime deployment is central to the Army's mission. Our recent experience in Panama during Operation Just Cause highlights the Army's need for rapid mobility of highly skilled and trained soldiers. It is essential that our units receive tough and realistic training at home stations, local training areas, combat training centers (CTC) and on Joint Chiefs of Staff (JCS) exercises. When the mobilization call comes, our soldiers must be ready to go -- there is little time for additional training.

Our CTC's are especially designed to replicate to our Army units the conditions and experience essential to be able to perform at top conditions in combat. OMA funding for the fuel, repair parts, and transportation costs of unit equipment and operations is key in this effort. Our combat training centers allow the Army to train for mid-intensity conflict under the most demanding and challenging conditions. Facilities include the National Training Center (NTC) at Fort Irwin, CA; the Combat Maneuver Training Center (CMTC) at Hohenfels, FRG; and the Joint Readiness Training Center (JRTC) at Fort Chaffee, AR. The Army's budget request supports 33 rotations to the NTC; 9 rotations to the JRTC; and provides funding for 48 rotations to CMTC which reaches full operational capability in FY 1991.

Joint Chiefs of Staff (JCS) exercises provide outstanding training and preparation for joint and combined operations. We have attempted to sustain the

approximately 50 exercises at a level consistent with the increased emphasis on this type of training.

OPTEMPO

OPTEMPO is a means of allocating resources for a particular training strategy and the resultant readiness levels. This request supports a ground OPTEMPO of 800 miles and an air OPTEMPO of 14.5 hours/crew/month for FY 1991.

We are making every effort to explore alternative means of achieving valuable training from simulators, simulations and other training devices. For example, our Battle Command Training Program (BCTP) improves combat readiness through battle simulation for Corps and Division staffs. Our battle simulation centers at Division and Corps level are designed for decentralized command and staff training configured for the employment of computer simulations, terrain board models, and tactical communications necessary to replicate those forces supported by the staff being trained.

Our force modernization programs are continuing to place the most advanced equipment in the hands of our soldiers. Our budget request reflects the necessary resources to support the increased densities of modern equipment fielded in FY 1990 and prior.

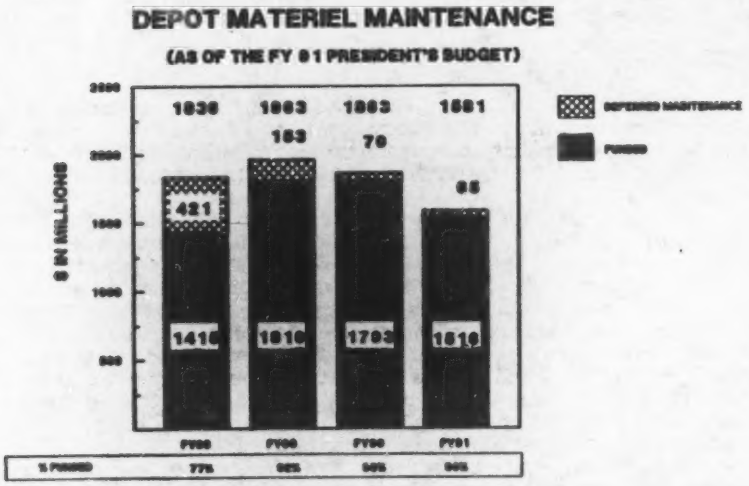
We are attempting to place added emphasis on equipment maintenance. A smaller, versatile, highly trained Army must be assured of high equipment readiness. As a result, our request includes a substantial increase for direct and general support maintenance.

DEPOT MAINTENANCE

After FY 1990 Congressional action, the Depot Maintenance program was streamlined to reflect program transfers to the procurement accounts for modernization and installation of equipment and asset capitalization. The FY 1991 Depot Maintenance program fully supports our unit operations and training initiatives for an OPTEMPO of 800 miles and 14.5 flying hours.

The overall materiel maintenance program (overhaul repair) supports 96% of FY 1991 requirements. With current resources, we are not able to support 100% of our end item maintenance. End items will be maintained at 92% of our requirements. Secondary items which support near term readiness are maintained at 100%. Thanks to Congressional increases and increased management attention of maintenance requirements our deferred maintenance program (backlog) was greatly reduced in FY 1990 to $70 million. The FY 1991 deferred maintenance program stands at $65 million.

Chart three displays the Depot Materiel Maintenance Program and Deferred Maintenance (Backlog).



CENTRAL SUPPLY ACTIVITIES

The impact of the Army Management Review program will dramatically change the administration of this program. Specifically, funds for Supply Depots and National Inventory Control Points, previously centrally managed, will transfer to Army operating commands. Commanders will budget and expend OMA mission funds for central supply overhead through increased Army Stock Fund prices for repair parts and expendable supplies.

Central Supply Activities will continue to support the highest priority near term readiness central supply programs, INF treaty initiatives, and the highest priority second destination transportation requirements. Thanks to the $100 million increase we received in FY 1990 for over ocean transportation, we were able to adequately fund our second destination transportation requirements. The FY 1991 budget reflects a reduction in routine transportation requirements ($-19 million) as a result of force structure changes. However, this is offset by increases to support anticipated relocation/redistribution of equipment requirements ($41 million). As we transition to a smaller Army, supply and transportation programs will be the linchpin in accomplishing the massive equipment redistributions that will be required. It is therefore essential, that these programs are adequately funded.

Also in FY 1990, the Army is proposing a $117 million reprogramming action for Inventory Control Points (ICPs). Congress reduced $125.3 million from OMA in Central Supply activities because of a DOD Inspector General Report (89-063) which identified a more cost effective process for making contract termination decisions at ICPs. However, most of the savings will be effected in the procurement appropriations. Procurement account savings have been reflected on a separate reprogramming action which addresses the transfer of funds into the Army Military Personnel appropriation. The proposed OMA reprogramming will provide the necessary resources to efficiently operate Army ICPs. Accordingly, the Army is reprogramming $99 million from within OMA and $18 million from procurement sources to alleviate the severity of the shortfall in this program.

PEOPLE

Soldiers, civilians and family members are the strongest and most important part of our Army. Adequate living and working conditions must be provided to encourage the best qualified and motivated people to enter and remain as active participants in the Army Team and to make Army service their career.

RECRUITING AND EXAMINING

The Army is faced with recruiting in a shrinking eligibility pool of young people. We are proud to have exceeded our FY 1989 recruiting objective. Our goal is to reduce the percentage of Category IV enlistees accepted below the FY 1989 percentage of 7%. Through effective recruiting and advertising we need to continue to bring in quality recruits and retain the good soldiers in whom we have a substantial investment.

Given the Army's force structure reductions, our recruiting goals will decrease along with the number of recruiters in the recruiting force. This budget reflects appropriate decreases due to these changes. The quality of the recruits, however, will not decline and may even increase to provide the innovative, intelligent core of soldiers, leaders, and technicians needed for the smaller force. To attract and enlist quality soldiers, we still need dedicated and skilled recruiters. These recruiters must be supported by sophisticated and modern advertising, competitive educational incentives, and enlistment bonuses to enlist and retain the soldiers of the 1990's.

HEALTH CARE

The FY 1991 Health Care Program budget provides for worldwide medical and dental services to active forces and other eligible beneficiaries; veterinary services; medical examinations performed in Military Enlistment Processing Stations; and other support activities of the Army's direct health care system. Our budget request also fully supports currently known FY 1991 CHAMPUS funding requirements.

ARMY INFORMATION RESOURCES MANAGEMENT

The Army is committed to improving the management of automation resources as directed by FY 1990 Congressional language. The FY 1990 automation ceiling coupled with constrained funding levels have resulted in a significant down scaling of automation programs throughout the Army this year. However, we believe that with prudent management the FY 1990 automation ceiling will allow our commands to execute an austere automation program without adverse civilian personnel actions and to comply with Congressional intent.

The Information Resources Management (IRM) disciplines: telecommunications, automation, visual information, records management and printing, and publications have been integrated into the day-to-day business of the Army from the battlefield to the sustaining base. These programs are critical for the new, leaner Army to maintain its edge in conflict and to achieve management efficiencies in peacetime.

The recent Operation Just Cause demonstrated the value of critical command, control communications and battlefield imagery. The FY 1991 budget reflects the Army reliance on IRM programs to ensure that appropriate, timely, and accurate information is identified and made available to meet all of our mission requirements. In fact, IRM programs are key for achieving many of the Defense Management Review initiative savings.

CIVILIAN WORK FORCE

The budgeted civilian employment level for FY 1991 supports the most critical OMA programs. The severe personnel reductions that we sustained in FY 1990 due to funding constraints have caused major changes in the support structure of the Army. As you are aware, Secretary Cheney has imposed a hiring freeze in FY 1990 in an effort to reduce civilian end strengths. The Army is aggressively pursuing options to utilize our workforce in those essential positions which provide us the greatest benefit. In paring down the workforce, we need to ensure our remaining civilians receive adequate training so that they can maximize their skills and education as they assume more functions and responsibilities. The Army is striving to achieve greater productivity from its workforce while minimizing the need for private sector contracting.

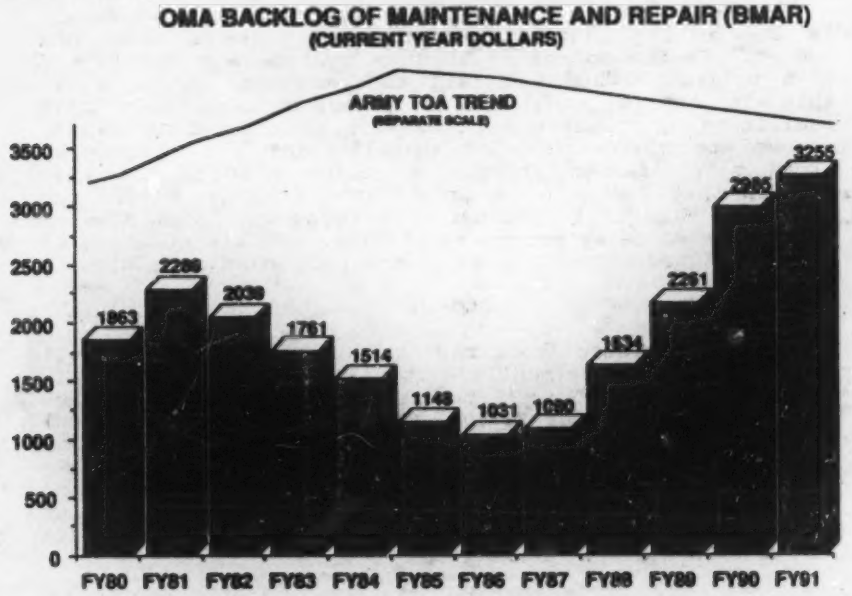
INSTALLATION OPERATIONS

The Army conducts operations at over 300 installations and activities in the United States, Europe, the Pacific, and Panama. The majority of these installations depend on OMA funding for the myriad of support functions performed by the supporting workforce and contractors.

As you are aware, the Base Operations and Real Property Maintenance Activities (RPMA) programs remain underfunded. Thanks to a $200 million dollar increase in FY 1990, some needed repair projects will be completed. Additionally, due to implementation of Congressional language, the Army will no longer report items which have been on the BMAR list for over four years. These actions worked to decrease the backlog inventory.

Although the FY 1991 budget request does not fully finance the annual recurring requirements for RPMA, the Army has made a concerted effort to allocate significantly increased resources to the program. RPMA funding grows $591 million over FY 1990, and the Backlog of Maintenance and Repair (BMAR) growth slows from a 32% increase in FY 1990 to a 9% increase in FY 1991. Our Commanders will continue to improvise to maintain quality of life operations given reduced funding levels at Army installations.

Chart four portrays the trend in BMAR over the past decade.



ENVIRONMENTAL PROGRAMS

With the growing concern over our environment, we are keenly aware of our responsibility to preserve and protect the resources that have been entrusted to our care. The Army is making significant progress in cleaning up installations where hazardous waste has accumulated from past disposal practices. In an effort to alleviate current environmental compliance problems, Congress increased RPMA funding by $100 million in FY 1990. The Army continues to emphasize this vital issue in FY 1991. We have provided an additional $140 million to cover all critical compliance requirements and a substantial portion of high priority projects.

CONCERNS

We, in the Army, are working hard to embrace our role as good stewards of the resources appropriated to us by the Congress. I believe that the budget I have outlined will support the six imperatives of the Army in the most cost effective manner. There are several areas however, that still need work, and cause me concern, as we evolve into the Army of the 1990's.

The restructuring of our force structure, both military and civilian, during FY 1990/91 is going to be our biggest challenge. The Army needs the greatest amount of flexibility in the implementation of these reductions in order not to fracture our professional volunteer Army. Personnel and force structure reductions on top of Defense and Army Management Review initiatives will drastically alter the way that we do business. With hard work and determination a lean nucleus of quality soldiers in versatile, deployable and lethal Army units can be achieved.

FY 1990 CHAMPUS requirements may be underfunded by approximately $200 million. We will look for your support

and timely assistance if a reprogramming action is required.

Finally, the rising Backlog of Maintenance and Repair is one of the biggest problems facing the FY 1991 OMA budget. By the end of FY 1990 we will have a backlog of $2.9 billion. When you talk to Commanders in the field this is one of their most pressing concerns. This facilities maintenance backlog will be reduced if we are allowed to close un-needed installations and reduce the broad base of facilities. We thank you for the $200 million that you gave us in FY 1990 to help reduce our backlog. With this funding, we were able to stem some of the increased decay in our facilities. We are counting on your continued support to alleviate this growing problem.

CLOSING

I am optimistic about the Army of the 1990's. It will be lean. It will be mobile. It will be well trained. It will be lethal. FY 1991 begins our transition. We have much work to do. Our FY 1991 OMA budget reflects careful thought and planning to avoid the creation of a hollow Army. It meets most of the Army's pressing needs. We have placed our dollars where they are most needed and where they can be fully executed. We look forward to your continued support in our endeavors to support and maintain our volunteer Army. Thank you.

GENERAL PURPOSE FORCES

Mr. HEFNER. For general purpose forces this program provides the funds for readiness training, real property maintenance, and base operations for Europe, the Pacific and Forces Command installations. The fiscal year 1991 request is $8.7 billion. This is a $649 million increase from 1990.

How would a ten percent cut be distributed in this program?

General ROBLES. Well, as you stated, Mr. Chairman, our general purpose forces is really the heart of our program. That is the traditional account that funds both the ground training and the air training of our forces. It pays for the supplies, the lubricants, and the fuel to run our units. It pays for some combat development activities. It pays for the base operations and maintenance of our base stations where our major units are housed.

I would say, if we took something on the order of magnitude of a 10 percent reduction, we would have a very difficult time in this program. Our leadership in the Army has made a commitment to maintain quality and have a well-trained Army. Maybe a smaller Army, but a well-trained Army.

A ten percent cut in this area would really hit at the training of the Army. We would have to scale back the level of training. We would not cut back the mileage or the frequency of training, but we would have to possibly reduce what would be a field training exercise to more of a command post type exercise. We would reduce troop strength. All of these options would be unacceptable to the Army.

If there is one area we really want to maintain, it is not to have a hollow Army and not to degrade the level of readiness. Readiness is deterrence. I think we have been rather successful in recent times with our deterrence posture.

EUROPEAN FORCES

Mr. HEFNER. Of the $649 million increase, $443 million is for European forces. Considering the lessened threat to NATO, how do you reconcile providing the Army's European forces with 68 percent of the total increase?

General ROBLES. Sir, you know, numbers are not necessarily as they appear. Not all of that growth is for increased training or for an increased level of effort in Europe. I think if we analyzed where all the different growth is in the European forces, you would find that some of that growth is in real property maintenance. For example, we are proposing to increase real property maintenance in Europe $65 million instead of increasing construction in Europe.

As we developed our 1991 budget, we consciously made a decision not to go for more military construction facilities in Europe. We chose to turn around that money and put it in the O&M account to use it to fix up some of our facilities that we need to maintain our day-to-day quality of life for our soldiers.

Mr. HEFNER. I guess what I don't understand is why we are making such a commitment when there is a potential for quite a few closings and changes and a build-down in that area. When was this budget put together?

General ROBLES. Sir, the budget for 1991 was developed starting back last summer, all the way from July of 1989 until January of this year.

Mr. HEFNER. Then a lot of these numbers were put together before the changes in Europe and before the last group of candidates were put together for base closures?

General ROBLES. No, sir. As a matter of fact, while we were developing the 1991 budget, the Army started a while back to develop what an end state would look like. We have a definite plan for the Army of the future. We factored in a reduction of forces based on the current Conventional Force in Europe, negotiations which is the position of the administration.

Your question, I think, is did we factor in closing of bases? Did we factor in taking down troop strength? The fact of the matter is, our 1991 budget request eliminates two active divisions, and starts the preparation work to downscope our activities at Fort Ord in anticipation of base closures in the future. I think we have in fact, factored in the current CFE negotiations.

Mr. HEFNER. Mr. Miller?

FISCAL YEAR 1991 BUDGET REQUEST

Mr. MILLER. Thank you, Mr. Chairman.

General, you mentioned the reduction in forces; but yet, the increase in dollars that is requested for operation and maintenance from 1990 to 1991 shows more dollars, less people. Can you explain that to us?

General ROBLES. Yes, sir. You have to take a look at perspective. The Army's growth, the so-called increase in resources from 1990 to 1991 is a function of where you are at in 1990. In my statement, if you look at a chart I put in there for buying power, you will notice the Army has been on a roller-coaster ride for the last four or five years. We were up high in 1987, down in 1988, made progress in 1989, and back down in 1990.

What we are trying to do with our 1991 budget request is to level what we actually executed in 1989. You are saying, does that include force structure reductions? Yes, it does. Our 1989 budget request factored in $453 million for force structure reductions. At the same time, other things have grown. For the residual force structure, for example, our medical costs have grown.

We have over $200 million worth of increases in the budget for medical, CHAMPUS increases, and direct care increases. Those are a function, not of the active force structure, but of the full population we service with our medical activities.

We have an increase of about $42 million for second destination transportation. That is a function of bringing down our forces, having to redistribute equipment over oceans, from our overseas theaters backwards.

We have an increase of $40 million for improved lightweight clothing, the so-called extended cold weather clothing, which has been an interest of the Congress for several years. We are putting our commitment in that particular program.

We have a sizable increase of over $400 million in the area of environmental and real property maintenance which, I think is

necessary, even for a smaller Army given the residual base structure we have. So, I believe we have taken into account, the force structure reductions to balance our budget appropriately.

ENVIRONMENTAL FUNDING

Mr. MILLER. We had the Navy and the Marine Corps in a little while ago. You just spoke of environmental programs, and they do not have in their operations and maintenance anything for environment. What do you do different than they do?

General ROBLES. Sir, I can't speak for the other services.

Mr. MILLER. What do you do with the dollars requested for environment?

General ROBLES. We have three pots—three different sources of funding for environmental activities in the Army budget. First is the piece transferred to us from defense, called the Defense Environmental Restoration Account. In fiscal year 1991, for example, we expect to get transferred somewhere in the neighborhood of about $303 million from defense. That is for restoration of previously owned and currently owned sites.

In addition to that, the Army has made a commitment to put forth about $343 million in our 1991 budget request for environmental projects. About $289 million of that is for real property and maintenance projects to make sure that we are in compliance with national, local and state standards. In addition to that, there is another $54 million in our budget request for environmental work that needs to be done in conjunction with the base closures approved by the commission.

When you look at a $343 million investment in environmental projects to either get in compliance now or preclude further noncompliance with statutes, I think we made a rather large commitment in that area.

OPERATION JUST CAUSE

Mr. MILLER. In another area, Panama and Operation Just Cause, did the Army learn anything from that operation that should be changed? Are we doing things a certain way now that we should change because it appears we are not going to have a full-blown war. We all pray that we will not.

The emphasis now is on low intensity conflicts, it is getting out fast, have our troops put out the brush fires before they blow up and create a global war.

So how has that affected what was used in Panama?

General ROBLES. Sir, I think Operation Just Cause is a good example of the type of mission the Army will have in the future. This contingency-type mission utilized a balanced force consisting of heavy forces, light forces, and special operating forces. To directly answer your question, did we learn anything? We always learn a lot when we undertake a military operation. Sometimes it is negative, we are reminded of things we should have learned from history and previous operations.

I think in Panama, we learned a lot of important valuable lessons about how to conduct contingency operations, and how to im-

prove them. This type of operation will be the plan for the future in many cases.

We have, as you know, a very strong analytical arm within our Training and Doctrine Command, which serves as a center for lessons learned. This center is now factoring in all the reports, from detailed debriefs of all the participants both commanders and soldiers to come up with a product of lessons learned. We can distribute that information Army-wide and factor that into our training program so, we do learn from history and previous lessons.

EQUIPMENT AND FACILITIES BACKLOG

Mr. MILLER. In your statement, you show the backlog of maintenance and repair, and it is the highest since 1980. That worries the average person responsible for ensuring the equipment is ready to go.

Could you describe a little what we are talking about on backlog? Do we have tanks that will not operate and need to be maintained and repair parts that perhaps are not in the supply so the tank sits there on a base until you are able to repair it, which you are going to have to ask for more money for the backlog of Maintenance and Repair, and maybe if it isn't tanks, if it isn't trucks, if it isn't planes, could you describe what that backlog consists of?

General ROBLES. Yes, sir. We have traditionally two measures of backlog. One is equipment backlog, and one is real property or facilities backlog. The specific example you are quoting is our facilities backlog. That is the backlog of maintenance and repair of our posts, camps, and stations for such items as buildings, facilities, grounds, roads, et cetera. I will talk briefly about each.

In the area of equipment backlog, the Army, has a good news story. If you have seen our budget request in previous years, we had a much higher backlog in the area of equipment backlog. Some of the things we have in our current equipment backlog are aviation systems, missile systems, ammunition, and some combat vehicles. Our backlog for fiscal 1991 is projected to be only $65 million.

That is a marked drop from over $500 million we had in the last budget we submitted. That was based primarily on the strength of a plus-up by this very committee in the area of depot maintenance, and an absolutely 100 percent scrub from top to bottom of the requirements of things that needed to be fixed. Would we fix them if we had the money? The answer was in some cases no, we would not have fixed them if we had additional money. Those items were scrubbed out of the backlog. I believe we have a reasonable backlog of depot maintenance now.

The area you are concerned about is backlog of maintenance and repair of our facilities. We are concerned about that too. I wish I had shown a chart in my statement, that showed the relationship between increased funding that the Army was receiving from about 1979 until about 1985 or 1986. You would have seen as our funding levels were growing, our backlog of maintenance and repair was coming down drastically. In fact, we had it down to what we considered to be a manageable level. As soon as that funding trend started down, our backlog has been going up.

Some would say, why is the backlog growing faster than the rate of the descent of your funding? The answer is when you start to defer maintenance, and you let the plant, equipment and buildings go, they quickly deteriorate and repair costs grow fast, almost geometrically as opposed to arithmetically. For example if you defer too long to fix a roof, where it might have been a leak, it becomes a full-fledged structure problem. We are very concerned. Our Secretary and Chief of Staff are very concerned about the backlog of our facilities.

Mr. HEFNER. Will the gentleman yield?

Mr. MILLER. Yes.

Mr. HEFNER. We have a tremendous backlog in military construction. We have a budget that has been pretty stagnant for the last two or three budget cycles. We have complained especially to the Army. They haven't requested it and apparently it had a low priority. That is one of the problems that we have had.

General ROBLES. Sir, we listened to your complaints. As a matter of fact, our 1991 budget request has $319 million worth of increases in real property maintenance activities to get at that backlog of maintenance. We are very concerned that it is growing too fast, and basically we don't want our facilities to tumble down around our ears.

OVERSEAS REAL PROPERTY MAINTENANCE

Mr. MILLER. Will the bulk of the dollars be spent at bases overseas? I am trying to compare where the dollars are spent. Are we spending money to rehab the quarters, let's say, in West Germany, Japan, or other facilities we have there? Because at the present time it seems they could go a little longer until we find out how many troops are going to come home and how many of the facilities we need.

I read somewhere where in the last year, the services had prepared for 100,000 beds over and above. Apparently thinking that more troops were going over and we now have them coming home.

General ROBLES. You have a very valid point, sir. Historically, a lot of our backlog of maintenance and repair was in our overseas theaters. We have a lot of the structures over there. For example, there are over 800 different individual facilities in Europe today. I think you will see when we come in with our next budget submission, we will appreciably change the number of facilities we have in our overseas theater, consistent with our force structure reductions.

To answer your specific question, are we spending money to do repair work overseas? Yes, sir, we are. We are making sure the amount we spend is for quality of life improvements to maintain the standard of the residual forces there. I think it would be criminal for us not to put money in maintenance and repair of family quarters, buildings, and facilities, for our soldiers who are stationed over there.

We are not making long-term investments, in starting up buildings in areas we are going to close. We, in fact do have a stationing plan for overseas theaters that tells us where we should be investing and not investing resources.

Mr. MILLER. I would say the committee's interest is that the dollars not be put in the facilities and upgraded at this time and then find out in three months or less that we will have additional troops coming back and then we no longer need the facilities, because we went that circle once. We had legislation that said we will leave the facilities in Europe and in the country and turn them over for zero dollars.

I am concerned that we are not preparing for more troops or rehabbing facilities and then finding out we don't need some of the facilities so we give them to the nations in Europe. I think we ought to watch that we don't spend the taxpayers' dollar for something that we don't really need.

General ROBLES. Sir, I agree wholeheartedly. I think to the best of our ability, given what we believe is going to be the planned force structure withdrawals from our overseas theaters, we are applying our resources very carefully. We are putting our money in the areas we believe we are going to use to support a residual force structure now and in the foreseeable future.

Operations and maintenance is really expense money consumed within a year's worth of time. The repairs and maintenance we are doing are in the short term. We are not making a long-term commitment, which is under the purview of the military construction account.

You really have visibility over what we are doing. We submit a very detailed project listing in compliance with last year's congressional direction. This listing highlights big projects over $500,000. I think between the Congress and our own checks, we will be able to wisely spend money on maintenance and repair.

Mr. MILLER. Of course, you are looking at the Chairman of the Military Construction Subcommittee of Appropriations. I am sure he will view that with a eye that we will not spend more than necessary. And I might reverse this, Mr. Chairman, because we are talking about rehabilitation and repair through military construction, do you furnish any dollars for that purpose for facilities overseas?

Mr. HEFNER. Well, if the gentleman will yield, we have been very selective on what we do. We try to make sure we find out what our mission is so we don't do any long-term investments in the areas where there will be changes.

We try to run a tight ship, because our dollars are so limited. We try to focus basically on quality of life, as the General spoke about, as long as the service members are there. We just don't want to make long-term commitments where we are going to be moving out.

Mr. MILLER. So you are keeping an eye on them?

Mr. HEFNER. Yes, I think we are doing a good job in MILCON.

General ROBLES. Mr. Chairman, if I might add something of interest to you. We made a conscious decision in the Army to cancel $82 million worth of planned overseas military construction projects, because of the very issue you are talking about. In fact, we turned some of that money into O&M real property and maintenance funds. Instead of making a long-term commitment, what we need to do is take that money and work on facilities for the residual force structure, to keep the quality of life up.

Mr. MILLER. Thank you, Mr. Chairman.
Mr. HEFNER. Mr. Dicks?

CHAMPUS FUNDING

Mr. DICKS. Thank you, Mr. Chairman.

CHAMPUS costs have continued to escalate almost 400 percent over the last nine fiscal years, General. Your fiscal year 1991 request of $791.5 million is 21 percent greater than your present level of funding, $624.3 million. Last week Dr. Mendez, OSD/Health Affairs, informed us that the Department of the Navy is projecting no fiscal year 1990 savings in CHAMPUS and that in fiscal year 1990 CHAMPUS funds, projected at almost $700 million, rose $126 million because the Navy overestimated their projected savings. The Air Force has also revised their projected savings.

Why hasn't the Department of the Army revised their fiscal year 1990 projected CHAMPUS savings like the other services have?

General ROBLES. Sir, I have to say in all fairness to my colleagues, we are probably the lead in the area of understanding CHAMPUS. We also know, what the shortfall is in projecting savings. Let me clear the record.

Right now our current CHAMPUS funding for 1990 is understated. We understand that. Our $772 million program is not sufficient based on the actual expenditure level we have been seeing coming from the actuarial—the database from the CHAMPUS office. We are in the process of submitting a reprogramming action as we speak, for about $167 million. The real requirement is about a $202 million shortfall. The difference between the $167 million reprogramming we will submit and the $202 million shortfall is our savings that we in fact expect to gain in our CHAMPUS area.

There is a series of initiatives that are ongoing to reduce costs. As you know, last year we came forth with some investment in the direct care system to reduce our CHAMPUS costs. We assumed a certain amount of savings. We are holding our medical commands to those levels of savings so we in fact do show some savings.

The broader question is why is CHAMPUS growing? It is a function of, as you know, not only the military sector but the private sector. We are running inflation rates of eight to ten percent in the medical area. We are running more in the area of about 4 percent in the rest of the economy. It is a function of health care just becoming more costly. We are a victim of the private sector. We have to get approximately 60 percent of our goods and services from the private sector, whether through medication, medical contract services, CHAMPUS, et cetera. We are trying everything we can, working a full-court press with Dr. Mendez and Health Affairs to get our burgeoning medical costs down.

Mr. DICKS. Are those the reasons why your fiscal year 1991 estimate is as high as it is?

General ROBLES. Yes, sir. The reason our fiscal year 1991 estimate is high is we know the 1990 estimate is low.

Mr. DICKS. You are trying to make a more realistic estimate?

General ROBLES. As opposed to coming here next year and saying we underestimated our 1991 CHAMPUS requirements and have to come back for reprogramming.

Mr. DICKS. For the record, you have done pretty well up to this point. Why don't you put in a listing of all the things you are trying to do to hold down CHAMPUS costs.

[The information follows:]

The following is a listing of the ongoing initiatives Army is undertaking to hold down CHAMPUS costs:

—Reinvestment in Military Medical Treatment Facilities to increase in-house capability
—Military/Civilian Health Services Partnership Program
—PRIMUS Clinics
—Uniformed Services Treatment Facilities (USTF's)
—Personnel Services Contracting for Direct Health Care Providers
—Alternate Use of CHAMPUS Funds
—VA/DoD Sharing Agreements
—Diagnosis Related Groups (DRG's)
—Third Party Collection Program (formerly Coordination of Benefits)
—The Army Health Care Finder (HCF) Program
—CHAMPUS Management Improvement Program
—Ongoing demonstration projects and alternate health care delivery systems, which test innovative methods of providing and financing health care, include:
—The CHAMPUS Reform Initiative (CRI)
—Catchment Area Management (CAM) Demonstration Projects
—Fort Bragg Mental Health Services Demonstration
—The Fort Drum (Military/Civilian) Health Care Demonstration
—The European After Duty Hours Out-Patient Medical Care Demonstration
—CHAMPUS Fiscal Intermediary (FI) Project—Georgia/Florida CHAMPUS Preferred/CHAMPUS Southeast Region Managed Care Project
—The Expanded Home Health Care/Case Management Demonstration (Old Project CARE)
—Comprehensive Health Care Management (CHCM) Demonstration

Mr. DICKS. Would it be better if we did these things at our Army military hospitals?

General ROBLES. Absolutely.

Mr. DICKS. Why don't we do that? Because we can't get the personnel?

General ROBLES. It is a multifaceted problem. The first issue is do we have the capacity? The answer is, generally we do have the capacity in our military health care facilities to take additional workload.

Mr. DICKS. It is cheaper?

General ROBLES. It is cheaper.

Mr. DICKS. Is the old rule of thumb still good? Did it cost you $1.40 for CHAMPUS compared to a dollar for doing it in-house?

General ROBLES. As a matter of fact, it is a little higher. We save about $1.57 if you do what they call an analysis of the real savings. It is really a little higher than $1.40. It is substantial savings.

Mr. DICKS. Why wouldn't we do it in-house?

General ROBLES. We are in fact doing it. In the last two fiscal years the Army has appropriated and given our Health Services Command additional funding for the direct care system to bring down the CHAMPUS workload. You also have to make sure that although you have the capacity, you have to have the staffing and the right mix of dollars.

Mr. DICKS. You have a problem. I know. I represent the Fort Lewis area out there. We had a problem in the old Madigan Army Hospital being way understaffed. We didn't have the doctors for the emergency rooms. We couldn't get the nurses. We didn't have

24-hour coverage in some areas. That has been turned around somewhat.

But it is still a problem.

General ROBLES. That is what we are working on. To do what you proposed, we will have to get more nurses, more anesthesiologists, more cardiologists, more OB/GYN specialists. Some of the money we have been getting from the Congress—in fact, you gave us $20 million for medical support personnel last year, which will help us get the doctors, nurses, and support personnel.

Mr. DICKS. Is there any way of quantifying how much we could save if we did add more money for personnel and things of this nature?

General ROBLES. I will supply that for the record.

[The information follows:]

On the average, each $1.00 invested in the Army's direct care system saves approximately $1.57 in CHAMPUS. This ratio is based on system-wide totals, assuming that a typical "slice" of CHAMPUS workload can be shifted inhouse, and recognizing that patients do not move between the direct care and CHAMPUS systems on a one-for-one basis, and that marginal costs, rather than average, costs apply. Actual savings from monies invested will depend upon many factors, such as the specific location and population demographics. For example, eligible beneficiaries over sixty-five years old who are attracted to an expanded direct care capability would be treated at the pure expense of the Army. Treating these patients in the Army's hospitals would yield no CHAMPUS savings, since MEDICARE-eligible patients are not eligible for health care under CHAMPUS.

Mr. DICKS. Give us a couple of scenarios for the record. If we could do the following, how much could we save. How realistic would it be to try to do this? That would be helpful.

General ROBLES. I will do that, sir.

[The information follows:]

The first example is the Military/Civilian Health Services Partnership Program. Initiated in January 1988, legislation permits private health care providers to be reimbursed for services they provide to CHAMPUS eligible beneficiaries in our Medical Treatment Facilities (MTF's). Health care providers agree to a negotiated discount and bill CHAMPUS directly for care provided. The program enhances the ability of MTF commanders to address their unique requirements. Army now has more than 430 agreements. Understanding that the discounts vary from region to region, the reimbursement rates under the agreements average 69.5% of CHAMPUS prevailing rates.

Another example is the Alternative Use of CHAMPUS Funds. This is a congressionally approved project which allows each service up to $50 million in FY 1990 CHAMPUS funds to be used for other than CHAMPUS claims, when such use would improve the productivity of military Medical Treatment Facilities and produce net verifiable savings. Seventeen Army test projects are approved and are now being implemented. These projects have received over $10 million in FY 1990 funding. Anticipated Army total savings are approximately $16 million, for a net cost avoidance/savings of $6 million.

A-76 REVIEWS

Mr. DICKS. The conference report accompanying the fiscal year 1990 DOD Appropriations bill contained language directing the Department of Defense to terminate A-76 cost studies that have been in progress for an inordinate number of years. The conferees agreed to reduce the services' O&M budgets by a total of $192 million. The reduction is from the savings which result from converting the activities being studied to the government's most efficient

organization, MEO, and reducing the costs for A-76 program administration.

The Army's share of that reduction is $100 million. Has the Army made plans to terminate the cost studies? If not, why not?

General ROBLES. Sir, again, that question has a couple of pieces. The first piece is the Congress reduced us in two areas. First of all, it reduced $17.5 million to get down to size the number of people working on the studies.

That is to say we had too many people doing studies and less actual savings coming out of the studies. Also the Army was reduced about $83 million for study savings. This reduction was a calculation based on what we ought to save if we, in fact, terminated some studies we had a long time and realize the savings. As you know, that sort of is pulling the savings forward. Is that realistic? We are going to give it our best shot.

We, in fact, did take that reduction and spread it across all those various installations where we had ongoing studies. The field was told if you terminated those over due studies and came to closure then you would realize the savings.

Can I guarantee you that we did it? The answer is, we are still trying to find out if we can generate that sort of savings immediately. Some of the reductions will probably spill over into other activities.

Mr. DICKS. Have you terminated any of these studies?

General ROBLES. I will supply that information for the record.

[The information follows:]

To date, we have not terminated any cost competitions. We share your concern for the timely completion of these competitions. We are working hard to expedite studies underway to minimize the costs and achieve the substantial savings these competitions produce.

Mr. DICKS. I think we directed you to terminate them by August 1.

General ROBLES. Yes, sir.

Mr. DICKS. Excuse me, August 31. So you better get——

General ROBLES. We are evaluating the situation, sir.

Mr. DICKS. Better get out there.

A lot of times we found in these A-76 reviews it wasn't less expensive to do it out in the private sector. Sometimes when you did these A-76 reviews, we were able to reduce costs within the government itself. So——

General ROBLES. I think I would be remiss not to point out that A-76 review in and of itself is not bad. It is a smart way to do business when you look at whether it is cheaper to do the work in-house or in the private sector. What is bad, is when you drag out the studies an inordinate amount of time. The longer the time from when you start the study, to the time you complete the study, permits cost escalation to creep in. Your study is basically flawed because of the costs of a time delay.

Your point was well taken. We ought to get down the time. We should reduce the time we initiate a study until the time we finish it. In and of itself, A-76 review is not a bad concept.

Mr. DICKS. I understand that. It isn't inherently evil.

But sometimes the government has to look at what it costs in-house and what it costs out-house. At times, you actually have been more efficient when we do things inside the government.

General ROBLES. Yes, sir.

Mr. DICKS. If you are not going to take this $100 million reduction—if you are not going to get it all from the studies savings—why don't you give us a list in the record of which accounts are going to be reduced in order to fulfill the congressional directive.

General ROBLES. Yes, sir.

[The information follows:]

Our FY 1991 budget request distributed the $100 million reduction as follows:

[In millions of dollars]

	Studies	Manpower
General purpose forces	25.2	5.6
Communications and information services	5.3	1.1
Supply and maintenance	29.9	6.4
Institutional training	12.2	2.5
Medical	8.2	1.7
Administration	2.2	.2
Total	83	17.5

When the budget reduction is passed to our major commands, it is possible that much of the reduction will be taken in base operations support at installation level.

General ROBLES. I will tell you frankly, I have to go to every post, camp and station. We spread the reductions throughout the Army.

Mr. DICKS. Let me tell you the bottom line here. Is there any way that all these studies would come up to $100 million?

General ROBLES. No, sir. Absolutely not.

Mr. DICKS. What we have really done under the guise of A-76 is to reduce your O&M by $100 million?

General ROBLES. One could say it could be imputed. It is definitely a hit.

Mr. DICKS. In other words, you are going to have to take this reduction, every single base is going to be reduced somewhat because of the fact that there wasn't $100 million in savings from ending all these studies; right?

General ROBLES. And even if we ended all the studies by the 31st of August as you directed, the savings would not accrue in the first year. It is not that simple a process. The answer is yes, you are exactly right.

COMMISSARY OPERATIONS

Mr. DICKS. Commissary operations. We have worked hard to provide our military people the best possible quality of life over the past few years in order to retain our best. One benefit we have provided the troops are adequately stocked commissaries. How do you feel your commissary operations are presently functioning?

General ROBLES. I think we have a great commissary system. I have heard a lot of grumbling over the years, having been in the Army a few years. Some say that the commissary system should be

done away with, it is not necessary. I will tell you, as a soldier, that it is part of my pay. I expect the benefit of a commissary as part of a social contract we made when I came in the Army. It is clearly a savings to the soldier. People estimate as high as 25 percent savings accrue to our younger soldiers.

The real issue is, do we operate our commissaries efficiently and effectively. Right now, this idea is fresh ink on the paper. The DOD is looking at consolidation of our commissary systems to get more efficient by cutting some of the overhead out. We are in the process of looking at commissary consolidation. I am a big supporter of the commissary system. I think it is efficiently managed.

Mr. DICKS. How many stores are opened on a 24 hour a day, seven day a week basis?

General ROBLES. There are no stores open 24 hours that I am aware of in the Army. There are no stores I am aware of that are open seven days a week. Generally—some may be open on Sunday, but you compensate by closing on Monday. I know of no stores in the Army open 24 hours a day, seven days a week.

Mr. DICKS. Have you thought about doing that?

General ROBLES. Have we thought about doing that? I will have to talk to the expert on that. I will answer that for the record.

[The information follows:]

The Army has not considered operating a commissary on a 24 hour basis. We do however, operate 28 of the 175 commissaries worldwide on a 7 day operating schedule.

Mr. DICKS. All right. For the record, please provide us with a list of your commissaries by location and let us know how long each is open and proposed to be open in 1991.

General ROBLES. Yes, sir.

[The information follows:]

The following is an FY90 & FY91 listing of commissaries by location and number of days and hours open per week:

Commissary	Location	Operating Days/Hours
Fort Ben Harrison	Indianapolis, IN	6/51
Fort Bliss	El Paso, TX	7/64
Fort Carson	Colorado Spring, CO	7/72
Fort Hood I	Kileen, TX	7/72
Fort Hood II	Kileen, TX	5/40
Fort Leavenworth	Leavenworth, KS	6/50
Fort Leonard Wood	Saint Robert, MO	6/51
Fort Polk	Leesville, LA	7/55
Fort Riley	Junction City, KS	6/53
Fort Sam Houston	San Antonio, TX	7/78
Fort Sheridan	Highwood, IL	5/44
Fort Sill	Lawton, OK	7/71.5
Granite City	Granite City, IL	6/43
Rock Island	Rock Island, IL	5/38.5
Selfridge	Mt. Clemens, MI	6/50
White Sands	Las Curces, NM	6/40
Aberdeen Proving Grounds	Baltimore, MD	6/40
Picatinny Arsenal	Patterson, NJ	5/41
C.E. Kelly	Pittsburg, PA	4/40.5
Cameron Station	Alexandria, VA	6/43.5
Carlisle Barracks	Carlisle, PA	6/44
Edgewood Arsenal	Baltimore, MD	6/40
Fort Belvoir	Alexandria, VA	7/81
Fort Devens	Ayer, MA	5/46
Fort Drum	Watertown, NY	7/73
Fort Hamilton	Brooklyn, NY	6/44
Fort McNair	Washington DC	5/42.5
Fort Meade	Baltimore, MD	7/60.5
Fort Monmouth	Eatontown, NJ	6/49
Fort Myer	Arlington, VA	5/48
Fort Richie	Waynesboro, MD	5/40
New Cumberland	Harrisburg, PA	5/44
Seneca Army Depot	Geneva, NY	5/40
Tobyhanna	Sorrenton, PA	5/44
Vint Hill Farms	Manassas, VA	5/40
Walter Reed	Washington DC	5/44
West Point	Newburgh, NY	7/60
Camp Merrill	Dahlonega, GA	5/28
Defense General Supply Center	Richmond, VA	5/39
Fort Benning	Columbus, GA	6/63
Fort Bragg (Pope AFB)	Fayetteville, NC	5/37.5
Fort Bragg II	Fayetteville, NC	5/40

Commissary	Location	Operating Days/Hours
Fort Bragg - Main	Fayetteville, NC	7/66
Fort Buchanan	Bayamon, Puerto Rico	6/49
Fort Campbell	Clarksville, KY	6/57
Fort Eustis	Newport News, VA	6/44
Fort Gillem	Forest Park, GA	6/48
Fort Gordon	Augusta, GA	5/44
Fort Jackson	Columbia, SC	6/55
Fort Knox	Elizabethtown, KY	6/46
Fort Lee	Petersburg, VA	6/47
Fort McClellan	Anniston, AL	6/52
Fort CmPherson	Atlanta, GA	5/40
Fort Monroe	Hampton, VA	5/41
Fort Rucker	Daleville, AL	6/49
Fort Stewart	Hinesville, GA	6/46
Fort Story	Virginia Beach, VA	5/30
Hunter Army Airfield	Savannah, GA	6/46
Lexington Bluegrass	Lexington, KY	5/31
Redstone Arsenal	Huntsville, AL	5/45
Corozal	Panama City, Panama	6/50
Dugway Proving Grounds	Tooele, UT	5/41
Fort Espinar	Colon, Panama	6/46
Fort Greely	Delta Junction, AK	5/36
Fort Huachuca	Sierra Vista, AZ	5/43
Fort Irwin	Barstow, CA	7/58
Fort Lewis	Tacoma, WA	7/63
Fort Ord	Monterey, CA	7/56
Fort Richardson	Anchorage, AK	7/60
Fort Shafter	Honolulu, HI	6/50
Fort Wainwright	Fairbanks, AK	7/58
Howard/Kobbe	Panama City, Panama	6/48
Oakland	Oakland, CA	5/40
Presidio of San Francisco	San Francisco, CA	6/49
Schofield Barracks	Wahiwa, HI	6/54
Sierra Army Depot	Susanville, CA	5/40.5
Yuma Proving Ground	Yuma, AZ	6/42
Camp Carroll	Waegwan, Korea	6/42
Camp Casey	Tongduchon, Korea	6/42
Camp Edwards	Munsan, Korea	5/35
Camp Humphreys	Korea	5/40
Camp Page	Chunchon, Korea	5/38
Camp Stanley	Seoul, Korea	6/42
Hannam Village	Chunchon, Korea	4/40
Kure	Kure, Japan	3/15
Pusan	Pusan, Korea	6/45
Camp Zama	Sagamihara, Japan	5/35
Sagami-Depot	Sagamihara, Japan	5/35
Sagamihara	Sagamihara, Japan	5/40

Commissary	Location	Operating Days/Hours
Taegu	Taegu, Korea	6/46
Yongsan	Seoul, Korea	6/50
Amberg	Amberg, FRG	6/44
Aschaffenburg	Aschaffenburg, FRG	6/50
Bad Kissingen	Bad Kissingen, FRG	5/39
Bamberg	Bamberg, FRG	6/48
Bindlach	Bayreuth, FRG	6/42
Giebelstadt	Giebelstadt, FRG	5/38
Grafenwoehr	Grafenwoehr, FRG	5/46
Hohenfels	Hohenfels, FRG	6/48
Kitzingen	Kitzingen, FRG	5/40
Regensburg	Regensburg, FRG	5/36
Schweinfurt	Schweinfurt, FRG	6/50
Vilseck	Vilseck, FRG	6/48
Wertheim	Wertheim, FRG	5/41.5
Wuerzburg	Wuerzburg, FRG	6/43
Babenhausen	Babenhausen, FRG	6/46
Bad Kreuznach	Bad Kreuznach, FRG	6/44
Baumholder	Baumholder, FRG	7/49
Camp King	Oberursel, FRG	6/42
Darmstadt	Darmstadt, FRG	6/45
Dexheim	Dexheim, FRG	6/35
Frankfurt	Frankfurt, FRG	7/54
Idar Oberstein	Idar Oberstein, FRG	5/41
Mainz	Mainz, FRG	7/48
McCully	Wackemheim, FRG	5/35
Neubrucken	Neubrucken, FRG	5/32
Wiesbaden	Wiesbaden, FRG	6/48
Bad Hersfeld	Bad Hersfeld, FRG	6/46
Bad Nauheim	Bad Nauheim, FRG	6/43
Berlin	West Berlin, FRG	6/40
Buedingen	Buedingen, FRG	6/44
Bueren	Bueren, FRG	6/41
Fliegerhorst	Fliegerhorst, FRG	6/47
Fulda	Fulda, FRG	6/45
Gelnhausen	Gelnhausen, FRG	6/48
Giessen	Giessen, FRG	7/50
Hanau	Hanau, FRG	7/92
Kirchgoens	Burzbach, FRG	6/46
Muenster	Muenster, FRG	5/38
Wildflecken	Wildflecken, FRG	7/52
Wildflecken	Wildflecken, FRG	6/33
Bremerhaven	Bremerhaven, FRG	6/46
Chievres	Moms, Holland	6/44
Fischbach	Fischbach, FRG	5/37
Flensburg	Flensburg, FRG	5/32
Germersheim	Germersheim, FRG	5/33
Heidelberg	Heidelberg, FRG	7/63

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Commissary	Location	Operating Days/Hours
Helmstedt	Braunsweig, FRG	5/34
Karlsruhe	Karlsruhe, FRG	6/47
Mannheim	Mannheim, FRG	7/51
Osterholz	Osterholz, FRG	7/56
Pirmasens	Pirmasens, FRG	6/47
Rheinberg	Rheinberg, FRG	5/34
Schinnen	Schinnen, Holland	5/36
Soegel	Soegel, FRG	5/36
Worms	Worms, FRG	6/44
Zweibruecken	Zweibruecken, FRG	6/47
Augsburg	Augsburg, FRG	7/53
Bad Aibling	Aibling, FRG	5/35
Bad Toelz	Bad Toelz, FRG	5/38
Berchtesgaden	Berchtesgaden, FRG	5/36
Cairo	Cairo, Egypt	5/37.5
Dhahran	Dhahran, Saudi Arabia	5/34
Germisch	Garmisch, FRG	5/38
Goeppingen	Goeppingen, FRG	5/40
Livorno	Livorno, Italy	5/40
Munich	Munich, FRG	5/40
Neu Ulm	Neu Ulm, FRG	5/41
Riyadh	Riyadh, Saudi Arabia	5/34
Schwaebisch Gmeund	Schwaebisch, FRG	5/40
Vicenza	Vicenza, Italy	6/46
Ansbach	Ansbach, FRG	7/51
Crailsheim	Crailsheim, FRG	5/41
Erlangen	Erlangen, FRG	5/41
Fuerth	Erlangen, FRG	6/49
Heilbronn	Heilbronn, FRG	5/45
Herzo Base	Herzo Base, FRG	5/38
Illesheim	Bad Windsheid, FRG	5/39
Kelley Barracks	Stuttgart, FRG	6/46
Neckarsulm	Neckarsulm, FRG	5/35
Panzer	Stuttgart, FRG	5/35
Patch Barrack	Stuttgart, FRG	6/49
Robinson Barracks	Stuttgart, FRG	7/93
Schwabach	Swabach, FRG	6/47
Schwaebisch	Schwaebisch, FRG	5/42

DEFENSE MANAGEMENT REVIEW INITIATIVES

Mr. DICKS. One of the defense management review initiatives is to move the funding of supply depots and inventory control points to the Army stock fund. What will this initiative accomplish?

General ROBLES. Sir, a very contemporary subject. In fact, we have done it in the 1991 budget request. What we have done in the 1991 budget request was take the cost of operating our supply operations, our supply depot systems, which are primarily in our Army Materiel Command, and our inventory control points, and move them to the Army stock fund. This $655 million transfer was added to the stock fund for the overhead surcharge of the cost of an item.

What that in fact does, is give the customer, first of all, a more realistic cost figure. This amount is the item's fair market value. Not only the intrinsic value of the item is captured, but the overhead cost necessary to get that into the system, to store it, and to acquire it.

What that will do is provide all managers, both supply managers of the stock fund and customers, a more realistic view of the cost of the item. We want to make sure that we are, in fact, reducing our overhead or attempting to reduce our overhead. There are going to be some rather sizeable surcharges that will be billed to the customers for the cost of handling that item.

The customer will demand we bring that surcharge down. At the same time, I think consumer demand will change as people think twice about buying an item that becomes much more expensive. We expect to see some consumer demand also dry up.

Mr. DICKS. According to your budget documents, the amount to be transferred to the stock fund is approximately $655 million. There is also a request for $302.5 million for the Army's stock fund for initial implementation of DMR initiatives. Are these funds required because of the transfer of supply operations to the stock fund?

General ROBLES. Yes, sir, part of it is. As a matter of fact, one of the things is the transfer of that overhead to the Army stock fund. We also transfer funding to the customers. At the same time, we are beginning a different way of doing business in the area of Depot Level Reparables. The secondary items, such as tank engines and helicopter rotor blades are going to start to be issued out of the stock fund. The customer is going to have to pay for it as opposed to getting a free issue from the procurement accounts.

In order to get that program moving, we have to start incrementally. In 1991, we have to transfer $200 million of depot maintenance funds into the stock fund. Part of that increase is the last quarter's worth of depot maintenance in fiscal year 1991. In 1992, the customer will start paying for those secondary items at full cost.

Again, we expect consumer demand will drop. In fact, we expect about a ten percent savings. The customer now has to pay for an engine that was issued free before out of his O&M funds. He will think twice about buying a new engine as opposed to fixing the one he does have.

Also we are asking for $406 million in additional money. This consists of $302 million for stock funding our DLRS and supply operations. We are seeking $72 million from prior procurement

spares war reserve. We also need $32 million for Army Stock Fund War reserve.

Mr. DICKS. Thank you. You have been a very responsive witness. You have done a good job. I want to put in the record some additional questions for you to answer.

The committee is adjourned until 10:00 tomorrow morning.

[CLERK'S NOTE.—Questions submitted for the record and the answers thereto follow:]

COMMUNICATIONS, INTELLIGENCE AND OTHER ACTIVITIES

Question. The request is for $1.3 billion, almost $200 million more than 1990. This program funds base information management, Defense Communications System Support and intelligence activities.

What would a ten percent cut do to this program?

Answer. The communications request of $1.3 billion represents an increase of $182 million over FY 1990. This increase includes $20 million for functional program transfers, which realign current resources between Army programs, and price growth of $58 million; resulting in a programmatic increase of $104 million. A ten percent reduction to the program would eliminate all programmatic increases and bring the program below the FY 1990 levels in real terms. A reduction of this magnitude would jeopardize the productivity savings and cost avoidances generated (many of which have already been reaped by Defense Management Review Decisions) which are critical to successfully performing our mission in a rapidly changing and resource constrained environment and result in the following specific programmatic reductions:

Eliminate increased support for the Strategic C3 Classified Program.

Halt development of RCAS by eliminating increased support for PM RCAS necessary for the evaluation and validation of RCAS contract proposals.

Substantially reduce the CONUS Base Telephone Modernization program designed to upgrade existing cabling in order to take advantage of new switching capabilities.

Force the cancellation of communications upgrades designed to provide critical support to CINC SOUTH in his mission of command and control of forces in Central and South America and drug interdiction efforts.

Halt the activation of three new strategic Defense Satellite Communications Systems (DSCS) Operation Centers which will provide a worldwide network of terminals for use by the intelligence community to relay perishable information for the most critical national security requirements.

Force the cancellation of the Local Area Network program designed to provide effective transfer of automated data.

Force the cancellation of software conversion efforts necessary to convert existing software programs to operate on the replacement hardware being competitively procured for the U.S. Army Finance and Accounting Center (USAFAC). The hardware replacement is necessary for operation of the Military Pay Redesign Joint Service Software (MPR-JSS) which will bring the Army's military pay

system in compliance with General Accounting Office standards and improve service to our soldiers.

Eliminate critical automation growth for development of logistics systems, the Army WWMCCS Information System, and the Sustaining Base Information Services program.

Question. How much are you requesting for ADP?

Answer. The communications program funds a variety of essential ADP efforts. The program provides worldwide support for the Information Management staffs at Major Army Commands and installations to ensure responsive information management support to the mission requirements of the Army. In addition the program provides for the operation of the Army's regional data centers; operation and maintenance of the Army's Worldwide Military Command and Control [WWMCCS] sites and the Army WWMCCS Information System, the modernization effort to upgrade the current WWMCCS system; Program Management support for the Reserve Component Automation System (PM RCAS); the operation of organizations, or segments thereof, responsible for the design, coding, testing, documenting, and subsequently maintaining/modifying computer operating or applications programs developed for use by the Army; and provides for information systems under the management of Program Executive Offices. Included in the FY 1991 communications program request of $1.3 billion is $422 million for ADP.

TRAINING, MEDICAL AND OTHER PERSONNEL ACTIVITIES

Question. Funds for the training and education program provide skills training for officers and enlisted personnel. Recruiting and advertising is included in the training program. Of the total requested for these programs ($6.5 billion), 46 percent or $2.9 billion is for the medical program.

It is probably not a good idea to touch the medical program, especially since the services seem to have problems fully funding Civilian Health and Medical Program of the Uniformed Services (CHAMPUS).

So let's look at the remaining 54 percent, or $3.6 billion. What type of skills training and other personnel activities can be curtailed or eliminated? What about recruiting and advertising?

Answer. The FY 1991 President's Budget for Program 8 Training included a reduction of $22 million because of force structure reductions. Training and Doctrine Command (TRADOC) has already taken action to curtail a considerable amount of skills training. Initial entry training courses, over 10 weeks long, have been reduced 10 percent; 63 courses have been eliminated in FY 1989; 43 courses eliminated in FY 1990; and 200 courses reduced in length.

The budget request for Other Personnel Activities is reduced from the FY 1990 level by $16 million after inflation. Recruiting and advertising, a part of Other Personnel Activities, remains virtually stable from FY 1990 to FY 1991 to maintain the high quality accession mission.

ADMINISTRATION AND ASSOCIATED ACTIVITIES

Question. The funds pay for headquarters staffs and financial and manpower management activities. If civilian personnel fund-

ing is significantly reduced, how would this program be affected? How much are you requesting for ADP and other related requirements in this program?

Answer. Civilian salaries account for 47 percent of all Program 95 funding. Significant reductions in personnel funding would, therefore, have a direct and immediate adverse impact on the staffing levels associated with the Headquarters, Department of the Army staff activities, to include those agencies charged with managing the restructuring of the Army and responsibility for the stewardship of the Army's increasingly scarce dollar and manpower resources. Critical functions which would be affected are the manpower-intensive areas primarily staffed with highly qualified professional series people. These include financial and personnel (military and civilian) management, accounting, auditing, and investigative agents.

The Administration and Associated Activities portion of the Information Technology Systems Budget is $190.5 million. In addition to supporting all automation requirements for the Headquarters, Department of the Army, these automation resources support the Army Finance and Accounting Center (USAFAC), the Total Army Personnel Command (PERSCOM), Army Reserve Personnel Center (ARPERCEN), and several small activities which are funded through the Army Secretariat. These resources support the systems development and sustainment for the Army accounting and pay systems and the civilian and military personnel systems. In addition, the sustainment functions supported by these resources include the pay of the information management civilian personnel, telecommunications charges, maintenance of computers (both large mainframes and personal computers), and maintenance of existing applications and systems software.

FENCE ON DEPOT MAINTENANCE FUNDING LEVELS

Question. Since fiscal year 1988, this Committee has insisted on maintaining depot maintenance separate from other O&M funds and has "fenced" these funds for only depot maintenance activities. The concern of the Committee is based on reports and reviews which point to the shifting of funds out of depot maintenance and into supply operations, even funds added by Congress to reduce depot maintenance backlogs.

The fiscal year 1990 congressional direction is for the Department to identify depot maintenance funding separately on the Base for Reprogramming form, the DD 1414.

Are you following this congressional guidance?

Answer. Depot maintenance funding is identified separately on page 4, footnote 2, of the Base for Reprogramming form for Operation and Maintenance, Army.

Question. For the Army, the congressionally directed fiscal year 1990 depot maintenance funding level is $1,865,015,765. Is this the number which appears on the DD 1414—if not, why?

Answer. The amount identified for the Army on the DD 1414 is $1,792,752,000. In establishing the floor, Congress did not take into consideration other adjustments in the DOD Appropriation Act. Specifically, this was the transfer of the Asset Capitalization Pro-

gram ($−57.6 million) to Procurement from depot maintenance and the Foreign Currency adjustment of $−14.7 million.

Question. Please provide a "walk" from the fiscal year 1990 budget request for depot maintenance, the depot maintenance level reflected on the DD 1414, the current estimate, and the fiscal year 1991 budget request.

Answer. The FY 1990 budget was adjusted from the budget request as follows:

	Amount
FY 1990 budget request	$1,722,369
Congressional adjustments:	
Foreign currency	−14,682
Stock fund cash	−14,256
Fort Polk repairs	+7,000
Depot maintenance	+150,000
Asset Capitalization Program	−57,641
Miscellaneous	−38
DD 1414 funding	1,792,752
FY 1990 current estimate	1,792,752
Transfer of responsibility for funding of Depot Level Repairables to the Army stock fund	−198,100
Price growth	+128,688
Program increases:	
One more compensable day	+103
Program decreases:	
Defense mgmt. review savings	−78,051
Force structure reduction savings	−67,000
Completion of FY 1990 one-time requirements for storm damaged helicopters	−62,644
FY 1991 budget request	1,515,728

Question. One of the reasons that the Services have shifted funds from depot maintenance to supply operations is that the supply operations budget requests are often insufficient.

Does the fiscal year 1991 budget request include sufficient funding for supply operations?

Answer. Sufficient funds have been identified to meet minimum requirements for wholesale supply operations in FY 1991 as adjusted for known force structure changes and the savings anticipated through Defense Management Review and Army Management Review initiatives. These requirements, however, are based upon estimated savings associated with these factors and could significantly change upon actual execution of these initiatives.

APACHE RELIABILITY AND THE IMPACT ON O&M

Question. There have been press reports about the reliability and maintenance problems which have plagued the Apache. The General Accounting Office (GAO) is currently looking at the Apache program and plans to publish the results of their audit in the near future. What has been the effect of these maintenance problems on the O&M budget, especially the depot and intermediate maintenance budget?

Answer. The impact of the maintenance problems has been primarily in manhours expended repairing and replacing components by soldiers. In FY 1989, to keep pace with the lower reliability components, the Army expended an additional $10 million in aviation depot funding. The impact has been minimized on O&M in the

depot as well as intermediate maintenance due to the McDonnell Douglas Helicopter Company (MDHC) direct support. MDHC has expended their resources and manpower to apply fixes in the field and quick turn around times for items requiring depot level maintenance.

Question. One of the problems may well be fewer maintenance people assigned to the Apache than are actually needed. Do you believe this could be an issue?

Answer. Yes. The Vice Chief of Staff, Army (VCSA) has authorized an additional 18 maintenance personnel for Apache Helicopter Battalions. The additional personnel should begin arriving in the battalions within the next 18–24 months.

Question. Additionally, there have been reports of parts failure rates that are higher than normal. Considering that in 1991, spare parts will be purchased in the stock fund and the O&M "customer" will be required to purchase the parts, what effect will the Apache's high failure rates have on the O&M budget?

Answer. The reliability improvements currently being incorporated into the high failure rate parts will have progressed to a point that little or no impact on the O&M budget is expected. The majority of the improvements are modifications to existing components.

REPAIRABLE INVENTORY ITEMS

Question. The Department is planning to change how the Army and Air Force finances repairable inventory items. In the past, the Army and Air Force used the procurement appropriations to buy these types of items and provided these items to customers free of charge. When the item needed repair, the customer sent the item to the supply system and the customer was given the replacement free of charge.

Beginning in 1992, however, the customer will have to buy these items from the stock fund instead of receiving these items free. Customers will use their operation and maintenance funds to obtain repairable inventory items.

When the Navy began financing aviation repairable items through their stock fund in 1985, they encountered problems with billing customers the proper amount. Some customers were overbilled while others were underbilled.

What measures is the Army taking to ensure that customers are billed the correct amount?

What measures will the Army take to ensure that sufficient funds will be available to obtain required repairable items?

Answer. The current Army plan is to use the existing Army Stock Fund (ASF) billing and credit procedures modified to include repairables. Army customers will initially be billed at the standard price (new procurement price plus ASF surcharges) and receive credit when they return an unserviceable that can be repaired and placed back in the supply system (cheaper than buying new). The credit for repairables will be determined using historical data for repairing unserviceables and the historical washout rate. The Army will ensure that sufficient resources will be made available

to the purchasers of repairables, within the total resources available to the Army.

Question. The stock funds are revolving funds and usually do not receive an annual appropriation from the Congress. Will this change in financing the repairables through the stock fund increase or lessen Congressional visibility and control over funds for repairable items?

Answer. Three categories of repairable items are involved: replenishment, War Reserves, and initial spares. Congress will continue to have visibility and control over the Army's replenishment items although the appropriations and sources of information will change. Visibility of inventory purchases from the private sector will be provided through the DOD Stock Fund Overview Book. Visibility of appropriated fund consumer purchases of the same replenishment goods will be available in respective appropriation budget requests (e.g., principally active, guard and reserve operation and maintenance appropriations) along with consumable stock fund purchase estimates. On the other hand, War Reserve spares programs will continue to be visible as in the past as a direct appropriations. Initial issue items are considered a cost of the weapons system and will be reflected as a cost in procurement requests submitted to Congress as in the past. In summary, the availability of data for analysis by the Congress has been increased, not reduced.

RESERVE COMPONENTS

Question. Last year, the conferees directed the Secretary of the Army to submit a report by March 15, 1990, delineating what needs to be accomplished in order to provide the Chief of Army Reserve command authority and how and when the transition should be implemented. The Army requested an extension until March 29, 1990. General Robles, have you been involved in the preparation of this report? If so, how? If not, why not?

Answer. No, I have not been involved in the preparation of the report. The determination of command and control authority falls under the responsibility of the Deputy Chief of Staff for Operations and Plans (DCSOPS). The DCSOPS has been working this action with the Commanding General of FORSCOM and the Chief, Army Reserve.

Question. The conferees also requested that the Chief of Army Reserve become a more active partner in the control of the fiscal year 1990 funds and the budget process for fiscal years 1991 and 1992. Has your office provided any support to the Chief of Army Reserve in the area of budget formulation and execution?

Answer. The Operations and Support Directorate of the Army Budget Office provides oversight review and guidance to the office of the Chief of Army Reserve. In providing support to the Army Reserve, this office reviews the Army Reserve budget submissions prior to submitting them to the Office of the Secretary of Defense and Congress. Review and support is provided in the form of technical support, information, and serving as a liaison with Office of the Secretary of Defense and other offices within the Army Budget Office. In the area of budget execution, the Army Reserve takes active part in the Mid Year review, briefing their current year obli-

gation status and any problems or areas of concern they are experiencing.

Question. Last year, the House withheld $100,000,000 of Management Headquarters funds until the Secretary of the Army submitted such a plan. However, the conferees not wanting to cause undue hardship on the Army deleted the restriction. The Committee is adamant that the report should be submitted. For the record, provide a detailed breakout of the $833.6 million requested for Administration. In addition, provide the Army's portion of the $946.1 million requested for Management Headquarters.

Answer. The following is a breakout of the $833.6 million requested for Administration.

Administration and Associated Activities

[In millions of dollars]	*Amount*
Department headquarters support	$132.4
Public affairs activities	10.5
Criminal investigation activities	29.5
Service-wide support	661.2

The Army's portion of the $946.1 million requested for Management headquarters is $132.4 million.

Question. Also last year, the conferees requested the Secretary of the Army to review and correct Army policy of not providing representation funds to the Army Reserve Components. Has this been accomplished? Has representation funds been provided to the Army Reserve and Army National Guard?

Answer. The Army provides representation funds to the Army National Guard and the Army Reserve when these organizations represent the Secretary of the Army or the Chief of Staff, Army. To ensure that the Guard and Reserve have representation funds for those requirements not associated with the Secretary of the Army or the Chief of Staff, Army, the Army has previously advised these Army Reserve Components to submit their representation fund requirements to the Congress during the annual budgetary process. Inclusion of representation funds requirements in the Guard and Reserve annual Operation and Maintenance appropriations will ensure that these requirements are fully funded and violations of 31 U.S. Code 1301 are avoided.

CIVILIAN PERSONNEL

Question. As our military forces are being drawn down, the associated civilian work force will also have to be reduced based on some ratio. Some defense experts believe that every time two military positions are eliminated, one civilian position should also be eliminated; others feel that this ratio should be three military to one civilian. What do you feel is the correct ratio of military to civilians as we reduce our overall forces?

Answer. We agree that as military strength is reduced, civilian strength reduction will also occur. To try to effect such a reduction based on a ratio to military strength would have a marked negative impact on both operational and support functions. There is not, nor has there ever been, a direct ratio relationship of civilian strength to military strength. National strategy determines the Army's mission. In turn, the mission will determine Army's force

structure. Once we determine an appropriate force structure to meet military tactical and strategic requirements we determine the size of the support structure and the civilian components needed. Support requirements are based on systematic engineered workload standards. There is no correct ratio—blindly setting the size of the civilian component of the Army based upon a civilian-military ratio will result in an overabundance of support in some areas and support starvation in others.

Question. What role do you see the civilian work force performing in the military of the 1990s? Do you see more functions being contracted out as we eliminate military positions?

Answer. We see no basic change in the role/functions performed by the civilian work force as a result of the elimination of military positions. Civilians will continue to serve in support functions. Contracting out should continue as in the past as a result of the Commercial Activities Study process.

Question. DOD officials said that if Mr. Cheney's ongoing hiring freeze stays in effect until the end of this fiscal year, 7 percent of the entire civilian workforce will be lost. Why doesn't your budget reflect such a large decrease? Do you plan on hiring civilians back for these positions once the freeze is removed?

Answer. The Army took the initiative and began downsizing the civilian manpower workforce by reducing in FY 1990 and FY 1991 for a cumulative 11,000 reduction in the FY 1991 budget. The civilian workforce in the FY 1991 budget reflects the 11,000 reduction. In addition, there are some functions such as the nonappropriated to appropriated fund conversion, military civilianization, medical support, combat field feeding, direct support/general support installation maintenance, and others that are being increased by 5,518 civilians. Our FY 1990 yearend funded civilian workforce of 391,981 would be a reduction of 11,000 (2.7%) from our work force of 402,927 as of the end of September 1989. The DOD-wide hiring freeze is not total. There are blanket exemptions for some categories of positions (e.g., commissary store positions, positions filled by employees either DOD, etc.) and other positions may be exempted on a case-by-case basis when critical to national defense, medical, safety, etc. While Army has lost 17,185 civilians since end of December 1989, we have employed 10,512 new hires because of job offers made prior to the freeze and through approved freeze exceptions. We are already well on our way to reducing our funded work force. It is too early to estimate a total impact of the freeze on end FY 1990 strength workforce. We have and will continue to hire where funded work load requirements exist and freeze exceptions have been granted. If the freeze is lifted, we would recruit, as appropriate, to carry out funded work and mission requirements.

Question. The administration has proposed a 3.5 percent civilian pay raise for FY 1991. What impact do you foresee on your programs and personnel if the Congress does not approve this pay increase or has the services absorb this increase?

Answer. The impact of the OMA civilian pay raise in FY 1991 of 3.5 percent equates to $248,097 thousand. If Congress does not approve the FY 1991 pay raise, approved programs across the Army containing civilian manpower resources will have to be reduced and furloughs and reduction in forces may be generated. In addi-

tion, other high priority Army programs such as individual training, operation and maintenance of installations worldwide, operation of regional data centers, printing and publications, logistics management and maintenance facilities, and operating supplies will have to be reduced to fund the civilian pay raise.

Question. As you reduce your U.S. civilians, it appears that you are hiring more foreign national employees. Is it fair in your estimation to be laying off U.S. employees and hiring foreign national employees overseas?

Answer. The Army is currently under a Department of Defense (DOD) imposed hiring prohibition which precludes the hire of individuals (both U.S. citizens and foreign nationals (LN)) not currently employed by DOD, with some exceptions. The hiring prohibition is intended to (a) reduce the number of civilian personnel lost thru attrition by not hiring replacements and, (b) avoid more severe impacts such as reduction in force (that is, "laying off") where possible. Army has experienced approximately 1,400 LN decreases in both direct and indirect hires since September 1989. U.S. citizens in foreign areas have decreased by approximately 450 during the same period. That represents decreases of 2.0 percent and 1.5 percent of the respective categories of employees. Ultimate impact of troop drawdowns on civilian employees will depend on factors such as what is to be reduced, what will remain, and where remaining troops will be stationed. Decisions on these matters will drive determinations on which U.S. citizen and which LN positions are to be abolished. For both U.S. citizens and LN employees, every effort will be made to provide placement opportunities in continuing positions and avoid separations by reduction in force.

"PASSTHROUGH" OF O&M FUNDS TO THE INDUSTRIAL FUND

Question. The report accompanying the Department of Defense Appropriations Act for 1990, stated that moving O&M funds to the Industrial Fund to offset losses in the Fund, is not acceptable. Industrial Fund rates should be adjusted to reflect losses and there should not be O&M bailouts of the Fund. The Congressional direction is that the fiscal year 1991 budget request should not include "passthroughs" from the O&M account into the Industrial Fund. Does the Army's budget include any such passthroughs? If so, why?

Answer. The Army's budget does not include any passthroughs from the O&M account into the Industrial Fund.

Question. What was the September 30, 1989 cash balance of the Army's Industrial Fund and what is the projected cash balance at the end of fiscal year 1990?

Answer. The September 30, 1989 cash balance of the Army Industrial Fund was $117 million. The projected cash balance at the end of fiscal year 1990 is $50 million.

U.S. BEEF FOR OVERSEAS COMMISSARIES

Question. The report accompanying the Department of Defense Appropriations Act, 1990, included language directing the Department of Defense to use not less than $10 million of available funds to increase the availability of U.S. fresh beef in overseas commis-

saries. Is the Army following the direction of the Congress on this issue?

Answer. Yes, a Military Sealift Command (MSC) mini-solicitation has been prepared and released to commercial industry. Normal rate guide booking procedures will be used to move the product to Europe. Defense Logistics Agency will begin testing the program in June 1990 with full implementation expected in July 1990.

Question. How much have you spent to date and what is the total you anticipate spending on this effort?

Answer. Transportation costs will be incurred effective June when the shipments begin. We expect that $1.6 million will be expended this fiscal year.

Question. Does the fiscal year 1991 budget request include funding for this effort? If so, how much is included for increasing the availability of U.S. fresh beef in overseas commissaries?

Answer. The budget request includes funding for transportation costs. The amount requested for fiscal year 1991 is $5.5 million, the amount needed for the annual transportation of 31 million pounds of beef to Europe.

SUBSISTENCE-IN-KIND

Question. Subsistence-in-kind is an entitlement provided to all active duty enlisted personnel who do not receive a basic allowance for subsistence. In essence, it is their food ration and very important to our enlisted troops. For FY 1991, the Department of Defense has proposed transferring the appropriation that subsistence in kind is paid out of from Military Personnel to Operation and Maintenance. The decision was made because DoD believes that subsistence in kind is an operations cost to support military personnel permanently assigned at base level. Do you agree with this new decision to transfer the subsistence in kind payment from Military Personnel to Operation and Maintenance?

Answer. Yes.

Question. Why do you believe this decision was made?

Answer. The DoD rationale stated above, that subsistence-in-kind is an operating cost to support military personnel assigned at base level, is correct.

Question. During the year, a member's entitlement may change from basic allowance for subsistence to subsistence-in-kind and back. This will mean transfers between appropriations. Do you believe that this decision will complicate an already overburdened accounting system by forcing the service to monitor this entitlement which could result in some members not receiving their correct entitlement?

Answer. The Army has definitive guidance on authorizations for Basic Allowance for Subsistence for enlisted members. In addition, authorizations and payments are monitored and analyzed monthly. As deviations are detected, corrective actions are taken. There should be no additional reporting or analysis workload because of the transfer of subsistence in kind between appropriations. Close continuous coordination has and will be maintained between the basic allowance for subsistence and the subsistence in kind programs. There should be no requirement to transfer between appro-

priations because any deviations from programs will be quickly detected and corrected.

Question. If subsistence-in-kind is now classified as an operations cost, are you considering classifying other areas as operations costs?

Answer. No.

Question. Clothing?

Answer. No.

Question. Permanent change of station moves?

Answer. No.

Question. Basic allowance for subsistence?

Answer. No.

[CLERK'S NOTE.—End of questions submitted for the record.]

WEDNESDAY, APRIL 18, 1990.

OPERATION AND MAINTENANCE, AIR FORCE

WITNESS

BRIG. GEN. JOHN L. FINAN, DIRECTOR OF BUDGET OPERATIONS, DEPUTY ASSISTANT SECRETARY (BUDGET), U.S. AIR FORCE

INTRODUCTION

Mr. MURTHA. The committee will come to order.

This afternoon we will hear testimony on the Operation and Maintenance appropriation. We welcome today General John L. Finan, Director of Budget Operations. Your prepared statement will appear in the record. If you will summarize, we will get right to the questions.

SUMMARY STATEMENT OF GENERAL FINAN

General FINAN. Thank you, Mr. Chairman.

I am pleased to appear again before this committee to discuss the Operation and Maintenance, Air Force budget request for fiscal year 1991.

FISCAL YEAR 1990 BUDGET REQUEST

However, in properly addressing this request, I need to refer back to fiscal year 1990, the year we are currently trying to execute. As you know, the Air Force O&M account was reduced by over $1 billion dollars during the fiscal year 1990 Congressional review process. In addition, we are in the process of absorbing another one-half billion in additional bills to pay such as U.S. and foreign pay raises, health benefits, foreign currency, Panama, Nicaragua and others.

To assimilate these reductions, we have lowered our civilian utilization rate, and dramatically bled down our BOS and real property maintenance accounts. In fact, I just received our most recent command execution reports from the field and they indicate over $1 billion in additional priority unfunded requirements is still out there for fiscal year 1990.

With these fiscal year 1990 problems in mind, our principle objective in our fiscal year 1991 budget was to protect our OPTEMPO and partially recover our BOS and RPM accounts from the very depressed fiscal year 1990 levels. By "depressed", I mean the lowest levels in real terms since 1981.

The second item I would like to address is that our O&M account is built based upon projected manpower levels——

Mr. MURTHA. You say the training level "OPTEMPO", meaning what?

General. FINAN. Flying hours, hours per crew per month.

Mr. MURTHA. Is it at the lowest level since 1981——

MANPOWER LEVELS

General. FINAN. The infrastructure supporting those accounts are at the lowest levels. The second item I would like to address is that our O&M account is built based upon projected manpower levels, OPTEMPO and force structure.

Our fiscal year 1991 budget fully recognizes force structure changes and base closures as well as decreased levels of manpower. What must be understood, though, is that a high proportion of O&M costs are fixed costs of operating the infrastructure and they change very little in the short run.

For instance, the Air Force is scheduled to close five bases in accordance with the Base Closure Commission recommendations. However, the first base, Pease Air Force Base, New Hampshire, isn't scheduled to actually close until the fourth quarter of fiscal year 1991.

Thus, very few, if any, savings, will be realized in fiscal year 1991. In fact, we have discovered that the kind of actions required to implement force structure changes—such as base closures—actually cost more O&M money upfront. We must, for example, complete environmental studies, transport equipment and move civilians that have to go to other areas.

FISCAL YEAR 1991 BUDGET REQUEST

Finally, I must stress that the fiscal year 1991 budget is one that reflects a great deal of turbulence within the Department of Defense. We are projected to implement numerous management efficiencies and effect streamlining to generate savings. At the same time, significant transfers between accounts and appropriations have been directed. These management actions and transfers are inextricably woven together to produce the desired results but they are extremely complicated to track on a fiscal basis.

As you go through this review process, I urge you to exercise extreme caution to ensure that actions taken in one account do not have unforeseen impacts in other accounts which result in unintended impacts on our overall readiness. One example of this intertwining is the transfer of funding between O&M and the Stock Fund for personnel in the material management and distribution functions. Should the $888 million requested funding in the Stock Fund be adjusted without offsetting compensation in the O&M account, we would be faced with an unacceptable impact on the civilian work force at our Air Logistics Centers.

Mr. Chairman, I understand the constrained fiscal environment within which we are required to operate and I assure you the Air Force will cooperate fully with you and your committee in protecting the readiness of the Air Force.

Mr. Chairman, this concludes my remarks.

[The statement of General Finan follows:]

STATEMENT OF BRIGADIER GENERAL JOHN L. FINAN,
UNITED STATES AIR FORCE
DIRECTOR OF BUDGET OPERATIONS
OFFICE OF THE DEPUTY ASSISTANT SECRETARY (BUDGET)

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I am pleased to appear before this Committee to present and discuss the Operation and Maintenance (O&M), Air Force budget request for FY 1991. My statement will discuss the O&M funding history from FY 1989 through FY 1991 and will highlight the forces, manpower, and programs supported by these O&M funds.

The following is a summary of the Air Force FY 1989-1991 O&M account:

($ Millions)

	FY 1989	FY 1990	FY 1991
O&M, Air Force (Active)	$22,063	$21,788	$22,049
O&M, Air Force Reserve	1,073	1,009	1,043
O&M, Air National Guard	2,022	2,021	2,175
Total Air Force	$25,158	$24,818	$25,267

For the remainder of my statement, I will focus my comments on the O&M, Air Force (Active) request, since the Air Force Reserve and Air National Guard budgets are reviewed separately by this Committee.

OPERATION AND MAINTENANCE, AIR FORCE

The Air Force Operation and Maintenance (O&M) appropriation finances the day-to-day operating costs of the Air Force at 129 major installations. This appropriation supports the key ingredients of combat readiness by providing the funds needed to operate and maintain aircraft and related weapon systems; recruit and train personnel; operate communications, command, and control systems; and purchase supplies, equipment, and fuel. O&M also supports essential combat related activities such as intelligence, logistics, weather, air traffic control, search and rescue, medical operations, maintenance of runways and base facilities, contract services, and the working and living environment of Air Force personnel.

Financial requirements in the O&M appropriation are influenced by force structure levels and activity rates. Examples are the number and type of aircraft and squadrons, the number of aircraft sorties and flying hours, equipment inventories, civilian hiring, training and deployments, the number of installations, and the quantity and complexity of vehicles and other operational equipment which must be maintained.

Economic assumptions used in developing this budget are:

	FY 1989	FY 1990	FY 1991
Civilian pay raise	4.1%	3.6%	3.5%
Inflation:			
Standard	4.1%	4.1%	4.1%
Foreign Currency Rates:			
Deutsche Mark	2.06	2.03	2.03
Yen	163.10	149.05	149.05
Pound	.70	.65	.65
Fuel Price (JP-4/JP-8)			
Per barrel	$ 25.62	$ 23.10	$ 27.30
Per gallon	.61	.55	.65

Traditionally we tend to look at O&M according to how our accounts are structured; that is, by Major Force Program or mission area. Our budget justification book is prepared in this manner. Today, I would like to focus more on major functions or categories where we plan on spending our O&M funds and where the funding changes between FY 1990 and FY 1991 are significant. These are as follows:

O&M, AIR FORCE
($ Millions)

	FY 1989	Price	Program	FY 1990	Price	Program	FY 1991
People							
Civilian Pay*	$ 4,670	316	48	$ 5,034	231	(770)	$ 4,495
Training	225	8	59	292	13	40	345
Medical	1,455	107	(107)	1,455**	138	159	1,752
Flying Hours/Associated Funding	2,802	(100)	(169)	2,533	290	(143)	2,680
Depot Maintenance	2,885	143	(195)	2,833	119	(374)	2,578
Space	776	32	53	861	36	13	910
Base Operating Support	1,075	72	(396)	751	53	219	1,023
Real Property Maintenance Activities	2,211	85	(227)	2,069	122	82	2,273
C3	1,053	36	(74)	1,015	44	78	1,137
Other Programs	4,911	207	(173)	4,945	105	(194)	4,856
Total	$ 22,063	906	(1,181)	$ 21,788	1,151	(890)	$ 22,049

* Excluded from other categories.
** CHAMPUS underfunded $174 million in FY 1990

FY 1989 was the first year of a planned two-year recovery from the severely constrained funding in FY 1988. In this first year the Air Force made a conscious decision to focus dollars on direct readiness and logistics programs. Flying hours were restored to the FY 1987 programmed level of hours per crew per month. Depot maintenance and other logistics support activity funds were restored to support the forces and operating activity levels required to meet mission objectives. In FY 1990 the emphasis was to be on the remaining readiness areas. However, the need to meet Gramm-Rudman-Hollings deficit targets without significant revenue increases required reductions to the Bush Budget, especially in outlay "rich" accounts such as O&M. As a result, Air Force O&M was reduced $1 billion and forced to absorb another $.5 billion of pricing increases and lost transfers. This represented negative real growth of 3.8% from FY 1989. Major reductions were predominantly in readiness support areas

such as Base Operating Support (BOS) and Real Property Maintenance Activities (RPMA).

In FY 1991 the Air Force's O&M budget reflects the constrained topline associated with the continuing pressure to reduce the deficit and the current worldwide political developments. Growth excluding inflation decreases over three percent from an underfunded FY 1990 baseline reflecting further reductions in force structure as well as the first impacts of the efficiencies and transfers to be realized from the Defense Management Review. Flying hours, civilian workyears and DPEM are budgeted at FY 1990 activity levels. Real property maintenance grows slightly, and base operating support is budgeted at a higher level to partially restore the "broken" FY 1990 program and to reflect congressional directions for appropriated fund support of MWR.

DEFENSE MANAGEMENT REVIEW

This budget reflects the savings and financial changes resulting from the continuing Defense Management Review (DMR) effort to realize savings through better management in the Department. The major areas of these management initiatives are in logistics and acquisition, automated support and information systems, and substitution of civilians for military. Additionally, the Air Force used the Defense Management Review process as a springboard to search out improvements in operational and training units. As a result, our budget reflects merged training requirements and the elimination of some training units.

In the logistics arena several activities have been transferred and consolidated by DoD to streamline operations for greater efficiency. As an example, DMR - Reducing Supply Systems Costs, transfers the people in the Air Force supply depot operations and in the majority of the inventory control point programs to the Air Force Stock Fund. This is intended to reduce total costs by allowing decision makers to make tradeoffs between materiel and personnel costs. Another major initiative, Stock Funding of Depot Level Reparables (DLRs), is closely related to Reducing Supply System Costs, as it moves funding for repair and replacement of assets to the Stock Fund and provides a single source of funds for managers to utilize. This initiative encourages repair at base level, which is far less expensive than replacement of assets. By providing visibility to costs and the authority to make decisions at the lowest level of responsibility, we can generate savings without impacting our readiness. DMR - Streamlining Contract Management, transfers personnel and funding for contract administration operations from Air Force O&M to the Defense Logistics Agency (DLA). DoD is consolidating similar service component functions to promote uniform procurement policy and upgrade the quality of the workforce while eliminating overhead and reducing payroll costs.

Two other initiatives that will have an impact on the Air Force logistic support programs are DMR - Reducing Transportation Costs and DMR - Acquisition and Managerial Efficiencies. These

TOA reductions do not represent program transfers, but rather internal procedural changes to reduce the cost of doing business. Greater effort to utilize commercial transportation industry practices, such as direct shipment of goods from vendors to users, by-passing depots, and employment of regional freight consolidation centers, should effectively reduce Air Force requirements. In the second case, Air Force will undergo a large scale reorganization of AFLC, AFCC and AFSC to streamline operations and redefine/restructure the role of management. These efforts will result in a significant reduction in manpower authorizations.

In other DMRs, requirements formerly funded with one appropriation are now paid by another appropriation. The First Destination Transportation requirements will be funded in the procurement appropriation beginning in FY 1991 rather than in the O&M account. This aligns the shipment costs with the purchase costs of Air Force assets. Subsistence-in-Kind (SIK), previously financed in the Military Personnel appropriation, was moved to the O&M program. This was done on the basis that SIK is an operating cost to support military personnel assigned at base level.

Another initiative, Developing Standard ADP Systems, will enhance the availability and standardization of information management throughout the Services. This initiative seeks to eliminate redundancy and improve consistency and compatibility in data systems in all Services. In fact, one of the Air Force programs, AFTOMS, our Automated Technical Order Management System, has just been accepted as the DoD standard for implementation.

These examples indicate the significant changes in the Air Force support function. It has been heavily impacted by the Defense Management Review process, to include functional transfers and program realignments. However, the ultimate objective was, and continues to be, reduction of operating costs, increases in efficiency and achievement of mission objectives with a balanced program.

O&M AND READINESS

The military might of a nation has historically been measured in terms of troop strength and quantities of hardware: divisions, tanks, aircraft, missiles, and ships. However, an assessment of military capability based exclusively on quantities of equipment and number of personnel ignores the readiness element of combat capability. Readiness is the ability of forces, units, weapon systems, or equipment to deliver the outputs for which they were designed (includes the ability to deploy and employ without unacceptable delays). It is made up of the forces in being (force structure), the age and technological capability of weapon systems and equipment (modernization), and the ability to continue effective military operations over an extended period of time (sustainability). Readiness is an essential element of combat capability. The O&M funding

requirements reflected in this budget support a smaller but capable force structure to meet national security objectives.

FORCE STRUCTURE CHANGES

The Air Force recognizes fiscal constraints are being driven by the federal deficit and changing world conditions and that budget requirements planned and programmed for in good faith, cannot always be fully funded. We made some hard, tough decisions and have opted for a reduced force structure that maintains capabilities. These force structure changes are summarized below and result in reduced FY 1991 O&M program funding of $143 million from FY 1990. Naturally, savings will increase in the outyears.

In the strategic area, our funding for offensive forces was reduced over $100 million. This was done by retiring one squadron equivalent (16 authorized aircraft) of Single Integrated Operational Plan (SIOP) B-52G aircraft, transferring 10 KC-135s to the Air National Guard, restructuring the B-2 program due to slippage of programmed aircraft, and eliminating the remaining funding for the SR-71 program, which was phased out in FY 1990. Our strategic defensive program reflects no dollar increase, although there were some internal programmatic adjustments. The Cheyenne Mountain modernization continues, and the Over-the-Horizon (OTH-B) East and West coastal sector radars come on line by the end of FY 1991. These increases are offset by decreases in the Distant Early Warning (DEW) Line as Greenland and Alaskan sites phase out.

Tactical force structure remains at 36 tactical fighter wing equivalents (TFWE). The average hours per crew per month (HCPM) remains constant at 19.5 hours in FY 1990 and 1991. Although the aggregate combat coded units making up the TFWEs remain constant, the mix changed within; i.e., F-4s continue to drawdown and more F-15s and F-16s were added to the inventory. However, the Tactical Forces have made significant streamlining reductions in their training resources. Aggressor aircraft (F-16) were reduced from 18 to 6. All 84 T-38 Fighter Lead-In Training aircraft and 55 other training aircraft from all mission design series were retired as a result of combat crew training reductions. These reductions were a result of incorporating some crew training into undergraduate pilot training and combat squadron training in the final unit of assignment. Also, 28 OV-10s were retired.

Airlift force structure changes include the introduction of the C-STOL (C-27) aircraft in late FY 1991. The five C-STOL aircraft (to be procured in June 1990) are scheduled to be delivered in the fourth quarter of FY 1991 and will entail some minor associated O&M costs. In addition, the Air Force Combat Rescue Forces are being modernized by replacing CH/HH-3E helicopters with MH-60G helicopters. The first rescue MH-60Gs have been received in 1990 and will continue to be phased in through at least 1994.

PEOPLE

End Strengths
(000)

	FY 1989	FY 1990	FY 1991
Military (Active Force)	570.9	545.0	530.0
Civilian (Active O&M, AF)	167.2	171.4	167.5

People continue to be our key resource. No investment in equipment and facilities would produce the desired level of readiness without well-trained, motivated, and dedicated people. We are committed to recruiting and retaining high quality people, training them to do their jobs properly and efficiently, and sustaining them and their families.

To maximize the utilization of personnel resources required by the Air Force, our first priority is to identify the kinds of people that are needed to execute our mission, as well as identifying the most efficient operations to support the mission. Under the total force concept, we continually evaluate our personnel requirements to ensure that we have the correct mix of officer, enlisted, civilian and reserve forces personnel.

Air Force O&M civilian end strength decreases from 171,409 in FY 1990 to 167,507 in FY 1991, a net reduction of 3,902. The major reductions result from the DMR restructure of Air Force Logistics and Systems Commands (approximately 4,400) and the transfer of contract management to the Defense Logistics Agency (approximately 3,200). These reductions are partially offset by the conversion of military to civilian positions in support functions (approximately 3,000) and increased MWR support (about 2,000).

CIVILIAN PAY

The net reduction in Air Force O&M civilian pay funding from FY 1990 to FY 1991 is $539 million ($5,034 to $4,495 million). This decrease is the net of end strength changes, price increases, and a transfer of O&M dollars to the Stock Fund.

The major reductions related to end strength changes were the DMR restructure of Air Force Logistics and Systems Commands and the transfer of contract management to the Defense Logistics Agency. These were offset by increases for civilianization of military positions in support functions and MWR support. Price increases are a result of annualizing the FY 1990 pay raise of 3.6% and the FY 1990 health benefit increases plus the impact of the 3.5% pay raise projected for FY 1991.

Finally, the largest driver of the net $539 million reduction was an $800 million transfer of O&M civilian pay (but not end strengths) to the Stock Fund. This was a DMR initiative to reduce supply system costs. The Air Force O&M account will

continue to pay the employees but will be reimbursed from the Stock Fund in FY 1991.

TRAINING

Once we have identified the kinds of people we need, they must be brought on board and supported. Our recruiting stations and advertising are paid for with O&M funds. Once on board, our next priority is to insure all personnel have the training to contribute to the Air Force mission. O&M funds operate the initial military training facilities, the technical training centers and the flying training schools which provide entry level job skill training as well as the advanced courses required for our members to become senior technicians, managers, and pilots.

Air Force programs grow by $40 million in FY 1991. Although overall accessions are remaining relatively stable, there is a slight increase in the recruiting costs to support increased line and medical officer accessions. We have also programmed an increase in health profession scholarships through the Financial Assistance and Nurse Anesthetist Programs. The increased costs are associated with recruiting from this limited and critical segment of the economy. The training growth is focused primarily in three areas--Flight Training, Specialized Skill Training and Professional Development. Flight Training increases by $15M to cover full year funding for the conversion to contract of the aircraft maintenance program at five training bases. The majority of the increase in Specialized Skill Training and Professional Development ($12.5M) reflects the effort to establish a formal acquisition professional development system to support a single military/civilian systems acquisition work force. This workforce resulted from the restructuring of the major Air Force acquisition commands. The remaining increases in training cover additional ROTC Scholarships to help us attract vitally needed Engineer and Technical Specialists as well as increased Technical Training to insure that our personnel are equipped to face the ever-increasing technical challenges in their work environments.

Once military personnel are trained and in the field, most of their operating support, except for pay, is provided by O&M funding. Dormitories are maintained and equipped, and dining halls are operated, with O&M funds. Real property maintenance funding determines the condition of these facilities. The Air Force considers these O&M expenditures to be top priority because of the impact on the morale and welfare of our people--and ultimately the impact on retention. Every quality person we keep in the force represents a major cost avoidance in terms of recruiting and training.

MEDICAL

We continue to focus our efforts on providing quality health care for our members and their families. However, the rising cost of health care continues to be a major source of concern. In developing the FY 1991 budget, we provided full funding of

projected requirements for the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS). Our budget estimate also includes continuing health care initiatives (such as expanding base clinic capabilities) to help contain the rising costs of CHAMPUS. These initiatives should provide greater health care capability within our military treatment facilities (MTFs) at a lower cost to the Air Force and reduced out-of-pocket expenses for our members. As a result of these initiatives, management savings totalling $54.1 million have been projected in the CHAMPUS costs reflected in this budget. Other programs, including Catchment Area Management, AF/VA sharing agreements, CHAMPUS Alternate Use, and expansion of CHAMPUS Reform Initiatives have been incorporated in our FY 1991 plans to improve patient access to health care in MTFs. We have anticipated that these actions will generate additional managed care savings of $56.1 million.

MORALE, WELFARE AND RECREATION (MWR)

MWR programs continue to be one of the best ways to show service members and their families that the Air Force cares. They provide a direct contribution to morale, fitness and a healthy lifestyle for our people. Their value is ultimately measured in the readiness of our force. At overseas bases, MWR gives the individual an established community which is familiar. Frequently, these familiar programs are not available or affordable off base. In the CONUS, MWR provides the benefit of activities which enable the member to quickly adjust to a change of station. The result is a more effective person on the job and a more ready Air Force. The benefit of strong MWR programs becomes even more important during this time of troop drawdown and base closure. Members who remain need to know they will be supported. Preserving MWR program funding can send a strong message of commitment to our service people.

During the past three years, MWR has been implementing major changes in funding policy provided by Congress. In compliance with congressional direction, by the end of FY 1991, we will have realigned APF support from the revenue generating activities (Category C) to the mission support (Category A) and community support (Category B) activities. With these actions taken, our FY 1991 budget is now solidly on the new course Congress has set for supporting our MWR programs.

Since child care is a national issue, as well as an Air Force one, we are aggressively pursuing improvement in this area. The Military Child Care Act of 1989 has placed an additional APF requirement on MWR in order to comply with the law. The provisions require APF funding support equal to the fees paid by parents. APFs will be used for supervision and administration. The result of this new requirement will be improved quality and expanded care.

BEST AVAILABLE COPY

FLYING HOUR PROGRAM

The Air Force flying hour program is key to the readiness of our strategic, tactical and airlift forces. In light of fiscal constraints, the FY 1991 program reflects the minimum acceptable combat capability for our given force structure. The Air Force's flying hour program for the Active Air Force decreases by about 114,000 hours or 5.0 percent between FY 1990 and FY 1991, but the hours per crew per month remain approximately at the FY 1989 programmed level. The flying hour decreases are primarily due to the force structure reductions of assigned aircraft. These reductions include the retirement of 16 B-52Gs; the transfer of 10 KC-135s to the Air National Guard; and reductions in F-4E, OV-10A, AT-38, and RF-4 aircraft.

The following table shows the active aircraft inventory and the flying hours funded by the O&M, Air Force account:

O&M, AIR FORCE ACTIVE AIRCRAFT INVENTORY AND FLYING HOURS

	FY 1989	FY 1990	FY 1991
Average Primary Aircraft Inventory (APAI)	5,504	5,379	5,159
Flying Hours (000)	2,353	2,300	2,186

The average primary aircraft inventory (APAI) is used to determine flying hour allocations. The APAI takes into account the phasing of force structure changes, thus ensuring the flying hour adjustments track to the actual aircraft assigned. The O&M APAI shows a net decrease of 220 from FY 1990 to FY 1991. The Air Force's modernization program continues as F-16 C/Ds replace F-4s and older F-16s; B-52Gs continue phasing out, and F-15Es complete their acquisition program.

A substantial portion of the total O&M budget directly supports flying operations. A large part of the depot maintenance program, all aircraft contractor logistics support (CLS), all of the aviation petroleum-oil-lubricants (AVPOL), and roughly 23 percent of the supplies purchased with O&M funds directly support aircraft and flying operations. CLS is a preplanned, permanent support concept that provides logistic support to a system or equipment by contract throughout its entire life cycle. The Air Force contracts the system's/equipment's logistic support at one or more levels of maintenance in lieu of developing an organic capability. Typically, CLS is used to support equipment with small inventories or systems in which rapid technological change is occurring and organic support would be cost prohibitive.

The need for AVPOL and supplies is straightforward. Aviation POL is the fuel consumed in flying aircraft and maintaining and testing engines. Due to higher DoD fuel prices, AVPOL cost per gallon (JP-4/JP-8) is programmed to increase from $0.55 in FY 1990 to $0.65 in FY 1991, or about 18 percent. This results in additional costs of $290 million in FY 1991 and,

unfortunately, more than offsets the $143 million program reduction from the overall decrease in flying hours and force structure in FY 1991. Supplies are the replacement parts and other expendable items used by field maintenance organizations to repair aircraft.

Just as important as the hours themselves is where and how they are flown. Straight and level flight, for example, does little to prepare a fighter pilot for war. Aircrews must practice, as nearly as possible, under conditions they would face in actual combat. Training must be rigorous and realistic to allow crew members to exploit the full potential of their weapon system. As weapons have become more expensive and more lethal, practice with "live" weapons has become increasingly limited. Electronic simulation devices complement practice with actual weapons. Improved technology on our training ranges enhances realism when electronic simulation devices are used.

Generally, aircrews of the Tactical Air Forces must deploy to use the ranges. For example, aircraft and crews from Moody AFB, Georgia, may go to the ranges at Nellis AFB, Nevada, to employ precision guided weapons. When a squadron is deployed, its maintenance capability goes with it. Maintenance people, spare parts, tools and equipment are deployed, and we provide a travel allowance to aircrews and maintenance personnel which helps offset their additional living costs. The spares and required maintenance equipment must also be transported to the range. All these transportation and TDY costs are paid with O&M dollars.

Training deployments produce other readiness benefits. U.S. based units become more effective by deploying to Europe or the Pacific to train in the environment in which they may have to fight. Effectiveness of our alliances is improved by conducting exchange and interoperability exercises with allied nations. These exercises require significant expenditures of O&M funds but have a high payoff in readiness training. For aircrews and maintenance personnel to perform the duties for which they train, they must have the weapons, maintenance equipment, parts, and supplies they need. Transportation of materiel from supply centers in the United States to the using unit, wherever it might be, is paid with O&M funds.

DEPOT MAINTENANCE

The Air Force Depot Maintenance Program is one of the most visible of the O&M programs because of its cost and direct impact on force readiness. Depot Maintenance provides for the highest level of maintenance of aircraft, missiles, engines, other major equipment items, area base maintenance, exchangeable (repairable) subassemblies and/or components. Depot Maintenance also includes Interim Contractor Support (ICS), some classified programs, and Other Logistic Activities (OLA). Depot level maintenance is accomplished at the five Air Logistics Centers (ALCs), the

Aerospace Guidance and Metrology Center (AGMC), the Aircraft Maintenance and Regeneration Center (AMARC), through interservice support, or by defense related contractors.

In FY 1990/1991, the Air Force depot maintenance funding profile changes to reflect policy decisions made during the Defense Management Review of Air Force programs. Funding for repair of depot level reparable exchangeable components will, in the future, be managed by the Stock Fund. The implementation date for stock funding the repair of exchangeables is projected to occur at the beginning of the fourth quarter of FY 1991, so repair costs for only three quarters in FY 1991 are requested in the O&M depot maintenance account. This is a major change in the way we currently do business and should generate savings in FY 1992 and out by establishing funding responsibility, through cost accountability, at base level. In addition, per Congressional direction, depot level installation of modernization kits was transferred to the procurement appropriation at the beginning of FY 1990.

O&M funds spent for depot maintenance support both peacetime and war fighting capability. Combat training must be rigorous to be effective, and under the stress of such training, equipment deteriorates rapidly. Air Force equipment is also exposed to the elements in some of the world's harshest environments. Since we would fight with the same weapons we use to train, equipment in poor repair must be restored or replaced. By restoring equipment to a ready state, depot maintenance helps avoid tremendous investment costs (repair vs. buy cost is 7 to 1 return on dollars), as well as ensuring a high level of weapon system readiness to meet potential worldwide mobility commitments.

The four major factors that drive the requirements for depot maintenance are the number of aircraft in the inventory, aircraft age, the flying hour program, and the complexity of highly technical aircraft systems. The number of aircraft in the total Air Force inventory (TAI), to include the Guard and Reserve, has decreased from 6,368 in FY 1978 to a FY 1990 total of 6,046; however, in FY 1978 the average age for the inventory was 11.8 years, now it is 16.3 years and growing. As aircraft age, they generally require more maintenance at a greater cost. Finally, even though newer aircraft are designed and produced to be highly reliable and maintainable, the repairs to these highly technical systems may cost more than repairs to the less sophisticated systems of earlier models. In addition, the technical complexity of our new systems and equipment and the commensurate lead time to acquire necessary organic maintenance support often require the Air Force to use Interim Contractor Support until it can establish an organic maintenance capability. As a result of the above factors, the maintenance environment changes to keep pace with the dynamic challenges placed on it. The Air Force budget contains the funds needed to keep pace with changing requirements.

SPACE OPERATIONS

Our military space systems support a variety of essential military operations such as navigation, communications, surveillance, and weather observation. Satellites have global access and are more efficient than alternative means of support. The information provided by systems such as the Defense Meteorological Satellite Program (DMSP), the Defense Support Program (DSP) and the Defense Satellite Communications System (DSCS) is unavailable from any other source and, as such, is a critical component of the success of military operations. Space operations has been one of our most dynamic areas in the last three years and will remain so in the future.

The ability to launch our space systems into orbit was shaken by the Shuttle and Titan 34D accidents in 1986. The Air Force, as the DoD agent for space launch, rapidly moved forward with a Congressionally supported plan to recover our space launch systems and develop a more robust national capability. This strategy has reached fruition. Fiscal Year 1991 will be an active year as all DoD launch systems move toward maximum launch rates or into final activation. The heavy launch rate is driven by the need to orbit the backlog of satellites awaiting launch because of the Shuttle accident and resulting launch standdown. We will launch five Delta II missions in order to move NAVSTAR Global Positioning System (GPS) well on its way toward an operational constellation in FY 1993. Three DoD Shuttle missions and two Air Force Titan IV, O&M funded, missions are planned. We assumed operational funding responsibility for the Titan II space booster program at Vandenberg AFB, California in 1990. Our combined launch rate for DoD payloads on the Titan boosters (II and IV) and Medium Launch Vehicles (Delta II, Atlas II, Atlas E) will be twelve missions in 1991, vice nine in 1990.

The capacity of the Air Force's Satellite Control Network (AFSCN) is expanding to meet the workload that will be generated from increasing launch activity in 1990/1991. The Consolidated Space Operations Center (CSOC), located at Falcon AFB, Colorado Springs, Colorado, includes facilities which provide improved survivability and security for space operations; allows improved planning, preparation and control for operational DoD satellite systems; and serves as the command and control center for the AFSCN. There are very dynamic years ahead in the space operations area--years which must be completed successfully in order to ensure DoD space launch recovery is complete and our vital on-orbit assets are providing all the support needed by the military commanders in the field.

COMMAND, CONTROL AND COMMUNICATIONS (C3)

Our C3 systems provide for a wide variety of support and services. Examples of operations supported are the National Military Command System (NMCS), the National Emergency Airborne Command Post (NEACP), the Worldwide Military Command and Control System (WWMCCS), Satellite Control Facility communications, Defense Meteorological Satellite Program, Weather Service

communications, Air Force Command and Control Systems (AFC2S) and major command unique C3 systems. Supporting services include management headquarters, the engineering and installation of C3 systems, circuits used for computer data transfers, leased long line communications and basic telephone service for all Air Force installations.

Major trends in communication costs reflect increases in efforts to improve, modernize and replace aged and outdated systems, plants and equipment in order to meet the mission essential requirements of our weapon systems and logistics support organizations. For example, funding increases reflect additional support for SAC communications which directly support the Post Attack Command and Control System (PACCS) aircraft and personnel; normalizing Air Force logistics support for space and early warning systems operated by Air Force SPACECOM; increased communication tariffs imposed by Spain; new satellite communication terminals for a recently remodeled facility; leased communications for the Automated Weather Distribution Program (AWDS); and modification of the AFC2S to maintain interconnectivity with DoD's joint WWMCCS Information System.

BASE OPERATING SUPPORT

Base operating support (BOS) is synonymous with readiness. Driven by mission requirements, many BOS requirements are inflexible because they are determined not only by the force structure but, more importantly, by the number of installations we operate and maintain. BOS is not easy to quantify in terms of number and age of installations, or by the number of aircraft, flying hours, or workyears. It is a program that cuts across all major force programs and is an integral part of the mission structure. It is important to understand that BOS is readiness support; it is not just "housekeeping."

BOS includes, but is not confined to, support for such functions as Services (dormitories and dining halls), Transportation, Supply, Security Police, MWR, Communications, Personnel, Comptroller, Chaplain, Judge Advocate, and Transient Aircraft Alert. These functions incur various types of expenditures including civilian pay, travel, supplies, equipment, purchased maintenance of equipment, and other miscellaneous contract services. Civilian pay and contracted services account for 75 percent of BOS, thus we need to approach changes in BOS like any weapon systems change--programmatically.

The FY 1991 increase in BOS includes price growth of $53 million, net transfers of $113 million and program growth of $106 million. The program growth in FY 1991 includes increases over a very suppressed FY 1990 baseline to provide minimum support for the Air Force mission and personnel. This restoral provides for dining hall equipment, dormitory furnishings, parts and supplies for vehicle maintenance, increased maintenance costs for aging equipment, and replenishment of bench stocks which have been drawn down to critical levels. Much of this requirement represents items deferred from the previous fiscal year due to

severe FY 1990 funding constraints. Failure to fund it will result in the inability to replace worn out equipment in the dining halls, inoperable motor vehicles due to lack of parts and cannibalization, equipment down due to insufficient maintenance, and lack of supplies required to provide base support services as bench stocks are depleted. This minimal program growth will still not restore the BOS program to the levels traditionally executed nor to the level actually executed in the constrained FY 1989 environment.

REAL PROPERTY MAINTENANCE ACTIVITIES

About 14 percent of the FY 1991 O&M budget is for Civil Engineering activities, including maintenance and repair of real property, operation of utilities, and other engineering support. Operation and upkeep of the facility plant are of vital concern since the Air Force currently trains and will fight from its bases. Much of the plant is the supporting structure for readiness and sustainability: maintenance hangars, aircraft shelters, missile silos/launch facilities, command and control facilities, training buildings, and runways. The plant also provides essential living and recreation areas for our people, helping to retain a quality force.

Requirements to preserve and adapt the plant to current needs continually accrue. New maintenance and repair efforts arise as the plant grows older. The average age of facilities is over 31 years, and much of the plant is of World War II or Korean War vintage. Increasing constraints on Military Construction funds dictate the extended use of our facilities. More stringent life/safety, fire protection, and environmental criteria, especially the latter, are demanding an increasing share of our maintenance funding. Environmental compliance is a vital concern to the Air Force, and we intend to continue an active approach to it. The FY 1991 program includes $95 million for these efforts. Our older facilities must be renovated to comply with current public and legal standards. A commitment to fund these efforts is cost effective and provides long-range benefits. Due to the keen competition for funds, recent funding levels for Real Property Maintenance (RPM) have been insufficient to meet new maintenance and repair requirements. Although there is an increase for RPM in FY 1991, it is from a severely depressed FY 1990 baseline. Your full support for this partial restoration of RPM funding in FY 1991 is needed.

Although Phase I of base closure will initially reduce our physical plant size, on-going and future MILCON for new missions and deficiencies for the rest of the Air Force will offset the closure plant decrement, resulting in minimal net changes in RPM funding requirements. Base closure will, however, by its respective plant reduction, reduce the growth of future RPM requirements. Reduced RPM expenditures for base closure candidates have been considered in this budget.

OTHER PROGRAMS

This area contains the remaining Air Force O&M mission costs. It includes categories such as sustaining engineering; supplies and equipment (non-flying); second destination transportation; direct mission travel, e.g. exercises, inspection visits, and aircrew travel; National Foreign Intelligence Program (NFIP) and other classified programs; and numerous contractual efforts. Some of the larger support contract efforts include the North Warning System, Over-The-Horizon Backscatter (OTH-B) Radar, ADPE processing services for all computer systems, purchased equipment maintenance for all mission areas, and range contract operations; e.g., Nellis, Eastern/Western Test Ranges. While there is a wide variety of minor offsetting changes to various programs due to operational system changes, the major program reductions from FY 1990 to FY 1991 are the transfer of Special Operation Forces to a newly established Defense Agency status and the transfer of first destination transportation to the investment accounts.

CONCLUSION

This concludes my statement on the FY 1991 O&M, Air Force budget request. This budget request provides the minimum resources required for a smaller force structure and attempts to balance our readiness requirements against pressing needs for modernization within constrained fiscal parameters.

FISCAL YEAR 1991 BUDGET REQUEST

Mr. MURTHA. The fiscal year 1991 budget request for the Air Force O&M is $22 billion, which is $242.7 million over the fiscal year 1990 appropriated level. In real terms, the Air Force is proposing no growth in O&M.

Is that accurate?

General FINAN. Sir, the numbers would reflect that. However, we have a lot of transfers between accounts, a lot of Defense Management Review efficiencies that have to play in this. When you take out the efficiencies, the transfers and inflation, we probably have a little bit of growth in there; I would say three or four hundred million dollars' worth of growth, sir.

REDUCTION OF OPERATION & MAINTENANCE

Mr. MURTHA. I was just meeting with the Budget Chairman. We were sitting right there where you are.

He is telling me that he thinks the Budget Committee will come up with a $30 billion cut in Budget Authority for this subcommittee. That is from the CBO baseline. Obviously, if a budget like that passes and they give us a 302(b) allocation that is smaller than has been sent over by the President, we will have to try to adjust to that.

Now, what does it mean if we cut back ten percent on O&M in real terms? Say we cut $2.2 billion from the O&M budget in practical terms.

General FINAN. I would certainly hope that if we get some additional reductions in O&M, that they wouldn't be percentage across-the-board reductions. The way we build the O&M budget is based on the weapon systems we support, the OPTEMPO or the flying hour program and the infrastructure.

So, if we simply take a ten percent reduction without changing any of that force structure or OPTEMPO, we are going to depress the infrastructure further and that infrastructure was severely depressed in fiscal year 1990 as a result of the billion dollar reduction we took at this time, so it would have dramatic impact on the Air Force Operation and Maintenance accounts.

Mr. MURTHA. Give me, for the record, what it would mean, a ten percent cut, and I always hate to ask theoretical questions, but tell me for the record exactly what the impact will be, because we will have to make some very difficult decisions.

[The information follows:]

The Air Force builds the O&M appropriation based on programmed force structure and operating activity levels such as flying hours, deployments, workyears and scheduled weapon system maintenance. Should the Congress reduce O&M by 10 percent, it would hopefully be accomplished through programmatic changes, and the impacts would depend on what programs were chosen for reduction. Without specific force structure or other programmatic reductions, cuts to O&M must be accommodated through reduced activity levels, and many of the resulting impacts would be similar across the appropriation, regardless of major force program.

A 10 percent cut to the Air Force's FY 1991 O&M budget request equates to $2.2 billion. To appreciate the impact of such a reduction one must first look at the Air Force's FY 1990 O&M program. The Air Force's FY 1990 amended budget for O&M was reduced over a billion dollars by congressional action and directed absorptions much of its nonprogrammatically. As 85 to 90 percent of O&M is fixed in the short

run, much of this reduction is being absorbed in base operating support, effectively bankrupting this activity.

With this as a reference point, the FY 1991 Air Force O&M request reflects little real growth from a "broken" FY 1990 program. Since there would be minimal flexibility to absorb additional nonprogrammatic reductions, operating activity levels would have to be drastically reduced to accommodate a $2.2 billion reduction.

The FY 1991 flying hour program is already financed below requirements at the FY 1987 level of activity. The FY 1987 level of activity has been deemed the minimum level necessary for air crew proficiency. Any reduction would result in insufficient flying time to maintain minimum combat capability for all strategic and tactical crews. Our ability to execute primary missions, support national programs such as counter narcotics and strategic intelligence, and operate the aeromedical evacuation system would be severely impacted.

Maintenance program levels are proportional to the flying hour program. A 10 percent cut in maintenance without a reduction in flying hours would significantly reduce readiness and sustainability. Depot maintenance facilities would be incapable of maintaining the inventory and backlogs would become unacceptably higher. In addition, a 10 percent reduction in maintenance funding will have a detrimental impact on the AFLC Depot Maintenance Industrial Fund (DMIF) work force. In FY 1991 over 50 percent of the DMIF workload will be performed by civilian employees. The proposed 10 percent reduction could cause a 5 percent reduction in the DMIF work force as there will not be sufficient funding to support the salary requirement.

A 10 percent reduction to strategic defense and other sensor systems may require the closing of a number of smaller sites or perhaps a couple of large sites. Contracts to operate the sites and transport fuel and supplies would have to be downscoped with resultant mission impacts and safety and survival risks particularly at the far northern sites. Vital communication links to and from the sites may have to be reduced or eliminated adversely impacting the value of the information provided.

In the civilian personnel arena the impacts would be especially severe. To achieve a 10 percent reduction in civilian personnel compensation a severe hiring freeze would have to be implemented; promotions would be frozen; all temporaries released; and maximum use made of early outs. This would involve not converting 3,000 programmed military to civilian conversions and not converting 2,000 non-appropriated fund child care positions to appropriated funds. Coming off a year of hiring prohibitions, a severe freeze may be unworkable due to the high number of vacancies as FY 1991 begins. Reduced operations, resupply, and logistical support may imperil readiness at all levels.

A 10 percent reduction would further exacerbate the already critical problems in base operations service organizations, welfare, community support and mission support. Real property maintenance would have to be severely curtailed causing facilities to deteriorate at an accelerated rate.

To the extent some areas are protected from reductions or by their very nature cannot be arbitrarily reduced 10 percent, the remaining areas would have to absorb even greater percentage reductions. The bottom line is that the flexibility traditionally in O&M has disappeared for the Air Force. A nonprogrammatic $2.2 billion cut in FY 1991 could not be accommodated without severe, unintended and unacceptable impacts.

Mr. MURTHA. O&M is one of the areas where people pick it out of the air and say O&M is $85 billion, cut O&M. We have to be able to make some rational decisions here. You don't want to see an across-the-board cut in O&M, so we need to know what would happen. For instance, would you have to cut flying hours, or maintenance? How would you do it or what would the impact be so we could move on. Because there is no question the situation in Europe has changed dramatically, and the American public believes that there is now a "peace dividend." We are going to have to try to adjust to that new reality.

The fiscal year 1991 request is $3.1 billion, $100 million more than the 1990 level. This program funds the mission operations of the Strategic Air Command, Space Command, Tactical Air Command and the Alaskan Air Command.

What would a $300 million cut do to this program?

General FINAN. I must say that $100 million growth or apparent growth you see between 1990 and 1991 is really inflation. If you take inflation into consideration, it accounts for almost $207 million, so in real terms, the 1991 program for the strategic area is going down by $100 million.

REDUCTION OF FLYING HOURS

Mr. MURTHA. We have less threat, can we fly less and spend less money in Operation and Maintenance? We don't have to worry about being attacked tomorrow. The threat has diminished substantially, and we don't have to have ten divisions in Europe in ten days. Can we afford to have less readiness? Can we get the pilots, the mechanics and so forth in a ready status in a month or two months? Can we reduce flying hours, for instance?

What does it mean in the Strategic Air Command if you reduce flying hours?

General FINAN. Sir, in the 1991 budget, we have already reduced the strategic air command flying hour program by almost ten percent. We have gone from about 375,000 flying hours down to about 340,000 flying hours. If we took another ten percent on top of that, that would have a severe impact on our flying hours per crew per month. Right now we project flying hours per crew per month for strategic forces, an average of 16.9 hours per month. The strategic folks think that 17 to 18 is the minimum that we ought to have for flying proficiency, crew proficiency, safety reasons and to keep readiness.

At 16.9, we are already below that. Another ten percent would take us down to 14.9 and that would be unacceptable.

Mr. MURTHA. I remember we were down to 12 hours in the early eighties, late seventies and, of course, the accident rate was very high. We had half our combat aircraft deadlined because of lack of spare parts.

It seems obvious if you reduce the flying hours, you are going to increase the safety hazard and it is going to be less safe flying. So in the end, not even thinking about the loss of life, it will probably be more expensive, because if you lose one or two airplanes, you are talking about a substantial cost to a taxpayer.

General FINAN. Absolutely. At 16.9 flying hours per crew per month for SAC, we cut that more than we wanted to in 1991.

Mr. MURTHA. So, obviously, it should be between 17 and 18, and you have actually cut below the 17?

General FINAN. Yes, sir.

GENERAL PURPOSE FORCES

Mr. MURTHA. For General Purpose Forces, the 1991 request is $5 billion, a $600 million increase from 1990. JCS exercises, base operations, mission operations of the tactical fighters units, fielding and operating of weapon systems and other support aircraft are funded in this program.

Forty percent, or $2 billion, of funds in this program is for base operations. Approximately 26,000 civilian personnel are funded in base operations. In addition, 53,000 military personnel are assigned to base operations activities.

What would a $500 million cut do to this program?

General FINAN. It would have a drastic impact to the extent that BOS makes up 25 percent—the cut of $500 million would make up 25 percent of the BOS account, so reducing the support accounts to that extent would impact things like dining hall support, dormitory support, vehicle maintenance at the base level, real property maintenance.

The civilian work force——

REAL PROPERTY MAINTENANCE

Mr. MURTHA. Where are you with real property maintenance now? You have a backlog?

General FINAN. We estimate it is about 1.5 billion now, sir. With the future budget indicators, we don't see any chance in the near term that that is going to come down significantly unless we get significantly more money in that account.

Mr. MURTHA. When does it start hurting you when you get a backlog of a certain amount? Do you have any idea what the backlog would have been in 1970?

General FINAN. I don't have that. I can furnish it for the record.

Mr. MURTHA. Furnish that.

[The information follows:]

Backlog begins to seriously hurt when it represents more than a one-year queue of work. Work deferred more than a year allows facilities to deteriorate at an ever increasing rate and, coupled with the effects of inflation, increases the eventual cost of repair. Backlog data are not available for 1970; however, from 1975 to present the data is as follows:

Year (backlog):	*Millions*
1975	$150
1976	162
1977	219
1978	300
1979	365
1980	489
1981	530
1982	507
1983	653
1984	695
1985	684
1986	788
1987	680
1988	869
1989	1,040
1990 (projected)	1,336
1991 (projected)	1,576

Mr. MURTHA. I would like to make a comparison because we have made substantial increases and it has substantial impact. I remember when we went to bases we got complaints about housing and maintenance. I went to an Army base and they said they couldn't even fix the air conditioning systems in the houses. It was over a hundred degrees and they had to wait until they broke down. They couldn't even do necessary preventive maintenance because they were so shorthanded. Would you be in that kind of shape or would you still be able to do the operating maintenance if we cut ten percent?

General FINAN. I agree with your assessment that the Air Force is better off now than it was in the seventies and early eighties. We

put a lot of money into real property maintenance and improved facilities. The problem is that funding is now starting to taper off and we are heading back in the same direction we were in the seventies and we would naturally like to preclude getting back to that level.

Mr. MURTHA. Give us a figure that shows how long it will take us to get to what you consider makes an impact on the long-term cost. In other words, when you get down to doing no preventive maintenance, at some point you are counterproductive when you have to cut back.

I don't know how you measure that, but I would be interested in hearing, when you get to a point where it really does not become cost effective because you are not doing the preventive maintenance.

General FINAN. Our engineers look at it based on the deterioration of facilities and they estimate we need $700 to $800 million a year just to keep up with new requirements and the current requirements based on deterioration.

Our funding in fiscal year 1991 in real property maintenance by contract is around $435 million so it is about half of what they feel we need just to maintain the facilities to preclude further deterioration, that is not even including new mission requirements.

DEPOT MAINTENANCE

Mr. MURTHA. What is the backlog in depot maintenance?

General FINAN. Depot maintenance, sir, I believe it is around $2.6 billion. Excuse me. That is the funding. The backlog is $229 million.

TRAINING AND MEDICAL

Mr. MURTHA. One of the things I have talked about to all the Services is the medical personnel activities, because I feel if you underfund medical services, then you force people on CHAMPUS.

I have visited an awful lot of your hospitals. They did a tremendous job in a hospital where they handled the Panamanian casualties.

Funds for the training and education programs provide skills training and education for military and civilian personnel. Recruiting and advertising are included in this program. Of the $3.8 billion, 58 percent or $2.2 billion, is to fund the medical program.

It is probably not a good idea to touch the medical program, especially since the Services continue to have problems projecting the CHAMPUS bill. So let's look at the remaining 42 percent, or $1.6 billion.

What type of skills training and other personnel activities can be curtailed or eliminated?

General FINAN. If I might parrot some of the words from the Chief and the Secretary, as we are bringing down the force structure and we are taking large personnel reductions, so we are going to have a smaller force structure, fewer people onboard, we feel that is the wrong time to start skimping on training and education. We are modernizing weapon systems, and we need people who are better trained and better able to handle the modern technology.

With a smaller force we think that it is imperative to keep the training level up so we have a smaller but better trained force, sir.

RECRUITING AND ADVERTISING

Mr. MURTHA. You are requesting $47 million for recruiting and advertising. You are cutting back by pushing people out, but you are going to slow down recruiting, can we cut ten percent out of that $47 million?

General FINAN. Although, our military end strength is declining almost 15,000 from fiscal year 1990 to 1991. Our accession levels are staying relatively constant. We will recruit 36,000 in 1990 and 36,000 in 1991 and that is driven by the number of losses, gains, and separations, so you still have to keep a balanced force structure and as long as the number of non-prior service recruits remains constant you would expect recruiting and advertising dollars to remain fairly constant also, sir.

Mr. MURTHA. Mr. McDade.

DEPOT MAINTENANCE

Mr. MCDADE. Thank you very much, Mr. Chairman.

Welcome, General. With respect to the depot maintenance problem you mentioned, the $2.6 billion request and the large backlog. What are the planned actions to reduce the backlog and increase readiness without requiring additional funds over and above those which the Air Force appears willing to request?

General FINAN. Our posture is more to maintain the existing readiness we have right now rather than trying to increase it further given the fiscal constraints we are facing. We are probably at an all-time high as far as readiness indicators go.

We have done an awful lot to improve Air Force readiness and our game plan is to try and maintain the high readiness level we have.

Mr. MCDADE. How do you define your state of readiness?

General FINAN. I think our logistics would look at it as aircraft in commission, aircraft that are not out of commission due to parts, and those kinds of indicators and although we are seeing the trend changing slightly we are still at an awfully high level compared to past years.

Mr. MCDADE. Amplify that for the record. Give us a synopsis of what appears to be the consensus.

[The information follows:]

Readiness is defined as the ability of a functional area to perform its assigned mission. This includes various areas such as the status of personnel and their level of skill and training; war plans and a unit's ability to implement them; and availability and condition of spares and support equipment.

In logistics areas, the Air Force assesses readiness using various indicators which apply to all weapon systems. These indicators are expressed in terms of Mission Capability (MC) goals as required by Department of Defense Instruction 7730.25. These goals enable Headquarters United States Air Force and Headquarters Air Force Logistics Command to evaluate resource allocations on a quarterly basis. The MC rate goals and projections are also used for the annual Department of Defense Material Readiness Report to Congress. One area that focuses on readiness is status reporting. The status codes used in this reporting "describe the capability of an aircraft to perform unit assigned mission. Unit assigned missions are defined as a unit's specifically assigned wartime missions, training missions, or test missions (as specified in

unit Designed Operational Capability statements, unit training syllabuses, or test mission requirements)." (AFR 65-110)

Mr, McDADE. For each category of aircraft, missiles and other Major End Items in this backlog, identify the maintenance not being performed and its effect on readiness and training. Answer that for the record.

[The information follows:]

Generally our funding strategy strives to support readiness and training. With this decision there can be degradation in sustainability. The Aircraft Backlog consists mainly of one C-5 aircraft damage repair. Currently this backlog is not affecting training. Should the current world environment change there would be an impact on readiness. In the Missile category there is essentially no backlog. Our internal funding strategy supports this function at nearly 100 percent. The unfunded requirement in Other Major End Items precludes items like special purpose vehicles (such as fire trucks, refueling trucks, and tow vehicles), communication equipment, and test stations from having depot level overhauls. As a result, the field units must do more maintenance to keep this aging equipment serviceable.

Mr. McDADE. Since fiscal year 1988, this Committee has insisted on maintaining depot maintenance separate from other O&M funds and has "fenced" these funds for only depot maintenance activities. The concern of the Committee is based on reports and reviews which point to the shifting of funds out of depot maintenance and into supply operations, even funds added by Congress to reduce depot maintenance backlogs.

The fiscal year 1990 congressional direction is for the Department to identify depot maintenance funding separately on the Base for Reprogramming form, the DD-1414.

Are you following this congressional guidance?

General FINAN. Yes, sir, we are.

Mr. McDADE. For the Air Force, the congressionally directed fiscal year depot maintenance for fiscal year 1990 level is a little bit over $3 billion.

Is this the number that appears on the Form DD-1414?

General FINAN. No, sir, it is not. We have taken the dollar amount that was requested in the budget and made adjustments to that amount according to adjustments that the committees have made as they marked up. For example, the committee increased depot maintenance funding by $50 million, we added that in.

On the other hand, the committee made some flying hour reductions and the depot maintenance portion of that flying hour tail would be taken out. So as we took each of the congressional marks, we adjusted the fair share to the depot maintenance account according to how it rolled into depot maintenance.

Mr. McDADE. So you apportioned the funds within your own shop?

General FINAN. We are apportioning——

Mr. McDADE. We gave you a figure and that is what the figure says depot maintenance ought to be. When we scrubbed that number, we made adjustments to those other accounts that you are now claiming.

General FINAN. Yes, sir. On the DD-1414, we have come back, and working with staff members on a track getting from that number to the new number so there is agreement on both sides that there are reductions related to depot maintenance.

Mr. McDADE. I think we have a breakdown of communication. When the hearing finishes, contact our staff, because you want to be on the same sheet—make sure that happens, will you?

General FINAN. We will, sir.

Mr. McDADE. Please provide a "walk" from the fiscal year 1990 budget request for depot maintenance, the depot maintenance level reflected on Form DD-1414, the current estimate, and the fiscal year 1991 budget request, for the record.

[The information follows:]

The following information provides a "walk" from the Fiscal Year 1990 budget request for depot maintenance, the depot maintenance level reflected on DD Form 1414, the current estimate, and the Fiscal Year 1991 budget request:

		Millions
1. FY 1990 President's Budget Request		$3,243.0
Adjustments		−380.8
MOD Installations	−245.3	
B-1 Flying Hours	−1.6	
KC-135 Flying Hours	+6.8	
B-2 O&M	−33.1	
B-52G Force Structure	−9.6	
Hurricane Recon Squadron	+2.1	
Depot Maintenance	+50.0	
Asset Capitalization	−75.0	
Unliquidated Obligations	−47.3	
Stock Fund Refund	−25.0	
Other Misc. Changes	−2.8	
2. FY 1990 Current Estimate/DD Form 1414		2,862.2
Functional Transfers		−276.0
Injury Compensation	+12.4	
Stock Funding Reparables	−288.4	
Price Changes		+120.3
Program Changes		−84.0
3. FY 1991 Current Estimate		2,622.5

Mr. McDADE. A lot of times we have found under-funding in supply operations that went along with the depot maintenance. Does the fiscal year 1991 budget request include adequate funding for supply operations?

General. FINAN. Yes, sir. We went through our 1991 budget deliberations internally, and made a conscious effort to increase the supply operations account. We feel the 1991 budget is a fairly well balanced account between depot maintenance and supply operations.

Mr. McDADE. Aircraft maintenance—the Logistics Command has been successful in eliminating overstated and low priority depot maintenance requirements and deferring other work to subsequent years without significantly degrading readiness.

The fiscal year 1991 O&M budget request shows that aircraft maintenance requirements exceed funding by $46 million in fiscal year 1990 and $49 million in fiscal year 1991. These unfunded requirements are for aircraft damage repair.

Did the Air Force factor into the fiscal year 1991 request its ability to defer or eliminate maintenance tasks?

General FINAN. Yes, sir, we did. We took that into consideration.

In fact, in our backlogs, we do demonstrate some deferred maintenance such as for vehicles and communication equipment, updating embedded software and damaged aircraft all went into that backlog. We included them as we saw fit and as we could prioritize within existing funding.

Mr. McDADE. You are confident that all the requirements are valid and that you can do them?

General FINAN. Yes, sir. We have a great deal more confidence now. A recent GAO report said we are doing the right things to more accurately portray our backlog.

C-5 AIRCRAFT REPAIR

Mr. McDADE. There was a C-5 damaged in 1988 and that is included as an unfunded requirement in both fiscal year 1990 and 1991? When do you plan to repair this aircraft?

General FINAN. I don't know. The fact that it is unfunded in 1990 and 1991 is attributed to the fact that it wasn't ready to have the work done until fiscal year 1990.

We weren't able to afford the bill, almost $31 million for one plane. In 1991 because of fiscal constraints, we didn't feel we could step up to that bill. Hopefully, at some point in the future, we will be able to accommodate that.

Mr. McDADE. For the current fiscal year, you can live without the C-5.

General FINAN. Yes, sir.

Mr. McDADE. Thank you, Mr. Chairman.

ENVIRONMENTAL PROJECT

Mr. MURTHA. Last year $50 million was added to Operation and Maintenance, Air Force for environmental projects. These funds could only be used for environmental facilities and hazardous waste disposal operations or transferred to the Defense Environmental Restoration Account.

How were these funds utilized?

General FINAN. We have directed the field that they may only use these monies for environmental projects. We have put a limitation on the funding that has gone out to them and directed that they may only use the funds for environmental type projects.

Mr. MURTHA. Give us a list of those projects for the record and how much is included in the 1991 budget.

[The information follows:]

The entire $50 million was added to the Air Force's environmental compliance program. The environmental compliance budget is made up of many types of requirements that can be segregated into two main areas: Environmental Operations and Services and Environmental Investments. Environmental Operations and Services involve annually recurring, "must do" requirements associated with "keeping the door open" (hazardous waste disposal, permits and fees, underground tank testing, air and water sampling, overhead costs, etc.). Environmental investments involved projects and services necessary to meet regulatory requirements and to increase the compatability of Air Force operations with the environment (upgrade of a sewage treatment plant, underground storage tank replacement, construction of a hazardous waste storage facility, etc.).

Headquarters U.S. Air Force has established a FY 1990 environmental spending floor of $123 million; however, unlike the Defense Environmental Restoration Accout (DERA), we do not line item manage environmental compliance funds. This is not to say that these resources are not managed. Installation commanders, the

people most aware of the relative merits of each project, set priorities acording to Environmental Protection Agency priority classes and manage such funding accordingly. Thus, while the requested project list is not presently available at Headquarters United States Air Force, it could be manually generated at each installation and forwarded following the closeout of our FY 1990 records.

Typically we have observed the highest priority requirements to be underground storage tank leak testing and upgrade, remediation on PCBs, accomplishment of environmentl impact analyses, replacement of outdated live fire training facilities, correction of outstanding air and waste water notices of violation, and updating of numerous management and spill plans.

The submitted environmental compliance budget for the Active Air Force Operations and Maintenance Appropriation totalled $100.3 million for FY 1991.

General FINAN. We have $100 million. In addition, we expect to get $250 million from the Defense Environmental Restoration Account for DERA type projects.

SUBSISTENCE-IN-KIND

Mr. MURTHA. Subsistence-in-Kind is an entitlement provided to all active duty enlisted personnel who do not receive a basic allowance for subsistence. In essence, it is their food ration and very important to our enlisted troops.

For fiscal year 1991, the Department of Defense has proposed transferring SIK from Military Personnel to Operation and Maintenance. The decision was made because DOD believes that SIK is an operations cost to support military personnel permanently assigned at base level.

Do you agree with this new decision to transfer the SIK payment from Military Personnel to Operation and Maintenance?

General FINAN. I guess the most honest opinion I could give you is that the Air Force is ambivalent about it. It pays for the food whether it is in one account or the other.

Mr. MURTHA. In fact, isn't it just an accounting change that gives some flexibility? Isn't that the reason it was changed?

General FINAN. Yes, sir. We are currently paying for operation of the dining halls out of O&M money, and therefore if you buy the food from the same account, you have it all in one account and that increases the manager's flexibility.

CHAMPUS PROGRAM

Mr. MURTHA. CHAMPUS costs have continued to escalate almost 300 percent over the last nine fiscal years. You have less there than you had the year before.

Why don't you put enough money in there for CHAMPUS? Who cuts that out? Do you make less of a request? Does somebody cut it out at the OSD level? What is it this year, $600 million off? We are going to have to come up with $700 million now—every time I come to a hearing, it is a new figure.

Why do you put in inadequate funds? Where is the miscalculation here?

General FINAN. I think it is not that we are putting in inadequate funds, although it turns out after the fact we are. We are seeing in CHAMPUS a picture of what we are seeing throughout the society; medical costs are growing at an astronomical rate.

We are funding 100 percent when we put the budget together. Six months later when we rerun the model, CHAMPUS continues

to go up. We are taking aggressive action to try to bring the costs down.

Mr. MURTHA. What are you doing?

General FINAN. We are putting almost $33 million a year into management initiatives in military hospitals to try to bring some of the patients back from the CHAMPUS world into our military treatment facilities. We are setting up catchment-area management tests which we hope will bring the patient back into the military hospitals. We are participating in the CHAMPUS Reform Initiative in California.

We are entering into several partnership programs where we bring the doctors from downtown into military treatment facilities. They use our facility and charge a lower rate. We are doing cost sharing with the Veterans Administration. This just seems to be slowing the growth rate, not turning it the other way.

Mr. MURTHA. What do you suggest we could do to create an incentive to use our permanent medical facilities? It costs the government half as much if we use our medical facilities. I know the programs you are suggesting are many of the programs that we have been involved in. As a matter of fact, I have personally taken a great interest, as you know, in these programs, and I compliment you for what you are trying to do in that regard.

Do we charge more for CHAMPUS or just ban people from using CHAMPUS if they live within a certain range of a hospital? Would it be better if we said you can't use CHAMPUS if you live within 10 or 15 miles of a hospital? Would that straighten it out?

General FINAN. I am not sure, sir. Part of the problem is, in many of the cases, we don't have the capability or the right people to handle the patients. For instance, OB/GYN and psychiatry are two of the biggest CHAMPUS costs and in many cases, the military treatment facilities don't have the people to treat that and the people are forced to go downtown. We wouldn't want to cut off that avenue so they would be precluded from getting treatment at all.

Mr. MURTHA. You can give examples of flexibility which I agree you need, but there must be something more. What percentage of the costs do they pay?

General FINAN. Twenty percent.

Mr. MURTHA. Twenty percent of the costs. They pay 20 percent and yet they still feel more comfortable using CHAMPUS than going to the hospital.

Is there something you are not doing in the hospitals? Don't they get the care? Do they have to wait too long? There must be a problem that is driving them to use CHAMPUS or some convenience that is acceptable to them at CHAMPUS.

General FINAN. It is a combination of factors. There are still long waits at many of our hospitals. We are working hard to remedy that. We are also focusing——

OUTPATIENT CARE

Mr. MURTHA. Let's focus on the hospitals. You are talking about the outpatient care, I assume.

General FINAN. Yes, sir.

Mr. MURTHA. So you are saying that in many areas, you have a long waiting period. For instance, I went out to Bethesda a couple of years ago and there was a long wait because the Navy didn't have enough doctors. Walter Reed said one of the problems is that we are doing the overflow from Bethesda. That was a management problem, and at that time they didn't have to pay CHAMPUS costs.

We said that is going to be counted against the overall costs. It continues to increase. So they go into the hospital, they have to wait.

You can't attract the professionals into the military in order to alleviate that. You can't increase the number of hours you are open and they can't make appointments.

I am trying to get to the bottom of why it costs so much.

General FINAN. Certain specialties, we are having a hard time filling them: radiology, OB/GYN. It is very hard to fill those and that is part of the increased recruiting costs to recruit these hard-to-get folks.

Mr. MURTHA. We tried to recruit an experienced surgeon into the Navy but they could only take him at a JG rank and he felt he was more qualified than that, and I agree.

Do you have the flexibility to recruit somebody at a reasonable rank?

General FINAN. I believe we do. I believe some of the bonuses the Congress passed in fiscal year 1990 will help us retain some of these folks.

Mr. MURTHA. Can you hire a civilian doctor who has retired or near retirement? Do you utilize Reserves in your hospitals?

General FINAN. Yes, sir. We do utilize Reserves. I know in many cases on the weekends, Reserves man almost the entire hospital as part of their duty and they see patient workloads.

Mr. MURTHA. What about retired people? Can you take them in on a contract basis, somebody that wants to work three days a week?

General FINAN. I can find out about that and provide it for the record.

[The information follows:]

The Air Force can hire retired indivduals on a part-time basis, assuming funds are available.

CHAMPUS PROGRAM

Mr. MURTHA. Can we increase the cost to 50 percent for CHAMPUS? Would that help change it around?

General FINAN. I think all three Services are looking at this. We need to focus on those areas that are the high-cost CHAMPUS areas, such as psychiatric care. We need to make those folks go through a screening process before they can go downtown for CHAMPUS.

Mr. MURTHA. You are saying there are specific areas that are accounting for a significant part of the high cost of the medical care?

General FINAN. Absolutely, sir.

Mr. MURTHA. I read some figures that in Medicaid, 95 percent of the cost for Medicaid comes in the last year of the patient's life.

Would that be true of medical services for pensioners or for civilians or dependents of military personnel?

General FINAN. I am sure that the figures would be comparable. The retirees may not use CHAMPUS after they hit 65.

Mr. MURTHA. That is right, they use medicare.

General FINAN. Yes, sir.

Mr. MURTHA. It is $50 deductible. That was set in 1966. Would it help us substantially if we doubled that rate?

General FINAN. Sir, I really can't address that. From a personal viewpoint, I would hate to see us trying to solve the CHAMPUS problem by putting the dollar cost burden on the people's backs.

Mr. MURTHA. The rate was set in 1966. I don't know what the inflation rate has been since 1966, but—staff guesses that that would be an incentive to go back to the military facility where it is free.

This is just unacceptable. Every year we get a higher and higher estimate which you consider to be adequate, but it is way off. We just can't accept it. We have to find a way to create an incentive for these folks to go to the military hospitals, which costs a lot less.

General FINAN. I certainly agree with you, sir. Our Surgeon General is working hand in hand with the other Services and OSD to get a handle on this.

Mr. MURTHA. Take the cost of living since 1966 and add that on to the cost for a certain area. If you lived a certain distance away from the hospital—in other words, if you lived near a medical hospital, then you should use that hospital. Does that sound reasonable?

General FINAN. There are guidelines currently on using the hospital for all inpatient care, they must receive a certificate of nonavailability.

Mr. MURTHA. Are you perhaps making those certificates of nonavailability too easily available?

General FINAN. No, sir. The biggest driver in CHAMPUS is outpatient care and for outpatient, you do not require a certificate of nonavailability.

Mr. MURTHA. Should we have one there?

General FINAN. We are looking at that in significant areas.

Mr. MURTHA. We are going to go bankrupt if we don't get a handle on it.

General FINAN. The problem with the certificate of nonavailability is the administrative effort to monitor and provide those systems. It outweighs the benefits that you glean and the savings.

Mr. MURTHA. The easiest thing would be to look at the cost of living since 1966, that they may be some distance away from a hospital or something like that.

We would appreciate any suggestions you could make because we are going to have to find every way possible to change or to create an incentive for these folks to use the free medical benefits that are available.

Mr. Miller.

BASE CLOSURES

Mr. MILLER. Thank you, Mr. Chairman.

General, earlier this year Secretary Cheney announced a number of bases for closure. What effect will that have on the Air Force O&M account for, say, years 1991, 1992, 1993?

General FINAN. I took a look at that just a couple of days ago, sir, and we are finding out that although the real way to save O&M money in the long run is to close bases, in the short run, it costs us money.

For example, the five bases indicated for closure in the report, for 1989 through 1993, will cost about $300 million in O&M whereas the savings during that same period will be about $100 million. If the necessary appropriations are not made to the base closure account will have a cost to the Air Force O&M account of almost $200 million over those first three or four years.

After 1993, then you will get a full-year savings and the savings will far exceed any costs and will reap the benefits of those closures. Near term it is actually costing us in the O&M account to close these bases.

Mr. MILLER. This would be the closing in a year or two. What has the Air Force done to ensure that unnecessary maintenance work and construction is not undertaken at these installations? What steps have been taken to show that the improvements should not be taken at a base that will be closed within two, three, four years?

General FINAN. We have sent a message out to all of our major commands and field activities telling them that for any base that is on a base closure list or a list of bases to be studied for base closure, they should curtail real property maintenance or repair activities except for what is essential.

We have told the folks we don't want needless expenditures on those bases that are being looked at or that are going to close.

FUEL PRICING

Mr. MILLER. In your statement you mention about the economic assumptions used in developing the budget, and there are several things in there that I was wondering about such as fuel price per barrel. It shows in 1989 $25.62 a barrel and in 1990, $23.10 a barrel, and then in 1991, $27.30 a barrel. And from what we see in the price of fuel and what is going on with the OPEC nations at the present time, why would we show a drop in the fuel price from 1989 to 1990 and then this upgrade of $27.30 in 1991?

General FINAN. What happened, sir, is we in the Defense Department pegged the price when we put the budget together that is lead time away and then that price is stabilized for the whole year.

In the case of fiscal year 1990, as we got into 1990 and that price was reset, we found out it was much too low to compare to what DLA was actually paying in fuel prices. The price for fiscal year 1991 was raised based on their best projection of what would be paid in 1991 and to recover their losses that had been incurred in previous years. At that time it is a best guess of what we think we are going to be paying.

Mr. MILLER. Thank you, General.

DEPOT MAINTENANCE

Mr. McDADE. General, let me take you back to depot maintenance again. The DD–1414 form, and I want to refresh your recollection, if you were to look at page 23 of the conference report that was adopted by the House and Senate on the Conference on the Appropriations Bill for the fiscal year, this language appears: "The conferees agree to the following depot maintenance levels for DD–1414 base for reprogramming," and it lists the Army, Navy, Marine Corps and Air Force and sets out the figure $3.14 billion in the conference report.

We are going to recess in a second. When you go back over, about a half hour after you get there, call Ms. Pacquing and tell her that is the number on the form. If it is not the number, tell her and we will have you back.

General FINAN. We have our 1414 here right now.

Mr. McDADE. Make sure that is the number on the DD–1414 for depot maintenance, follow the law. Call her when you get back, okay?

[The information follows:]

Sir, the depot maintenance figure for Air Force found on page 23 of the Appropriations Conference Report for Fiscal Year 1990 is $3,014,698,748. Since that report's release, OSD and Congressional staffers have agreed to make adjustments to the Active Air Force O&M depot maintenance level. The revised amount is $2,862,200,000 and is reflected on our DD Form 1414 as a separate footnote.

BASE FOR REPROGRAMING ACTIONS

(Dollars in Thousands)

APPROPRIATION ACCOUNT TITLE:
OPERATION AND MAINTENANCE, AIR FORCE, FY 1990

FISCAL YEAR PROGRAM:
1990

LINE ITEM	PROGRAM BASE PRESENTED TO CONGRESS IN PRINTED JUSTIFICATION		APPROVED CHANGES PRESENTED PRIOR TO FINAL CONGRESSIONAL ACTION		CHANGES REFLECTING CONGRESSIONAL ACTION/INTENT		REVISED PROGRAM BASE FOR REPROGRAMING	
	QUANTITY	AMOUNT	QUANTITY	AMOUNT	QUANTITY	AMOUNT	QUANTITY	AMOUNT
a	b	c	d	e	f	g	h	i
BUDGET ACTIVITY 11: Special Operations Forces		175,452				-3,811		171,641
Legislative/Management Improvements						(-2,000)		
Unit Cost/Productivity						(-1,811)		
Undistributed Reduction		-				-81,000		-81,000
Unit Cost/Productivity						(-32,000)		
Force Structure						(-20,100)		
Consultant Services						(-38,700)		
Subtotal, Direct Program 3/ 4/ 5/		22,812,200				-1,064,787		21,747,413
Reimbursable Program		1,932,000				-		1,932,000
TOTAL PROGRAM		24,744,200				-1,064,787		23,679,413
FINANCING								
Budget Authority:								
Appropriation		22,812,200				-1,065,987		21,746,213
General Provision, Section 9115		-				-20,100		-20,100
General Provision, Section 9054		-				-38,700		-38,700
Reimbursable Orders		1,932,000				-		1,932,000
TOTAL FINANCING - FY 1990 PROGRAM		24,744,200				-1,064,787		23,679,413

1/ A reduction to this program requires committee approval prior to implementation.

2/ The Revised Program Base for Reprograming includes $2,062,200 for depot maintenance, a reduction from which requires committee approval prior to implementation. The increase to this item represents a portion of a specific funding

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BASE CLOSURES

Mr. DICKS. Earlier this year Secretary Cheney announced a number of bases for closure. What impact will the Secretary's announcement have on the Air Force O&M account for fiscal years 1991 through 1993?

General FINAN. In the O&M account initially what we are finding is that closing the bases is actually driving up the O&M costs, not saving anything.

A couple of days ago I looked at cost and savings related to the five base closures that were announced by the commission and I found from 1989 through 1993, total costs to O&M are $300 million whereas the savings are about $100 million.

Mr. DICKS. Do you have to invest money in cleanup and in facilities somewhere else in order to relocate people?

General FINAN. Absolutely. Environmental studies, cleaning up, moving the people, facilities where the people move to, and after that you start generating the big savings once you get the infrastructure shut down.

REAL PROPERTY AND MAINTENANCE REPAIR

Mr. DICKS. What action has the Air Force taken to ensure that only necessary real property maintenance and repair requirements will occur at these installations?

General FINAN. We sent a message out to all of our field activities and major commands saying if you have a base scheduled for closure or being studied for closure, terminate expenditures except for emergency maintenance and repair required for an orderly drawdown.

Mr. DICKS. Are any fiscal year 1990 or 1991 funds being spent or budgeted at these installations for real property maintenance and repair?

General FINAN. Not that I am aware of except for emergency or orderly drawdown.

Mr. DICKS. If so, identify by base.

[The information follows:]

The following RPM funds are either being spent or budgeted for emergency work and orderly drawdown at the bases listed. Approximately 30 percent of these costs are for civilian personnel:

RPM FUNDING

[In thousands of dollars]

Base	1990	1991
Zweibrucken AB	$5,648	$5,588
Hellenikon AB	5,436	5,175
Comiso AB	2,903	2,063
RAF Fairford	3,709	4,696
RAF Greenham Common	3,947	3,572
RAF Wethersfield	2,094	1,195
Kwang Ju AB	3,244	3,209
Suwon AB	4,178	4,262
Taegu AB	3,905	4,186

Mr. DICKS. What about real property maintenance at overseas bases?

General FINAN. We are still putting real property maintenance into selected overseas bases. Obviously, as the force structure is changing over there, we are trying to concentrate those expenditures on the few bases that we feel are going to remain the core bases and for those under study or under negotiation for future action or force structure drawdown, we are minimizing expenditures there.

Since we have almost no construction money going in overseas, you need an offsetting amount of real property maintenance and repair to maintain the facilities you already have.

Mr. DICKS. Regarding the $1.6 billion real property maintenance backlog in fiscal year 1991, explain what plans the Air Force has to eliminate or substantially reduce the backlog over the next five years?

General FINAN. I think what we are hoping, sir, is that we can maintain our level of funding and that the force structure will drawdown, shrink the size of the Air Force, which in turn will bring that backlog number down to more closely in line with available funding.

Mr. DICKS. There is one question we have for the record. Last year the Congress provided the Air Force an additional $50 million to reduce the real property maintenance backlog. Will any of this increase be spent overseas?

If so, where?

General FINAN. Yes, sir.

We programmed, I think, around $10 to $12 million of that to go into facilities overseas.

I don't have a list of specifically where it would be spent, but we could try and furnish that for the record.

[The information follows:]

Yes, $19.2 million of the $50 million increase is budgeted for overseas; $3.2 million in Pacific, $16.0 million in Europe.

Mr. DICKS. Did you say that the $12 million was going to be spent in Europe?

General FINAN. Yes, sir, overseas—Europe and the Pacific.

Mr. DICKS. Okay.

Let me ask you generally, you know, I represent the area where we have McChord Air Force Base. What has been the effect of reductions of O&M at McChord and other domestic bases?

Have their budgets come down? They get an annual amount of O&M at the base itself?

General FINAN. I would say the main impact on bases such as McChord would be on your infrastructure funding, base operating support, real property maintenance, civilian utilization rates.

All of those things are the things that tend to get squeezed down in tight fiscal years.

We try to maintain OPTEMPO in the flying program at the minimum levels we currently have funded. The squeeze goes on your base operating accounts.

McChord and bases like that are feeling that squeeze as we draw down the hiring, less facility projects, reduce contracting in areas like that, vehicle maintenance, dining halls.

FLYING HOURS

Mr. DICKS. You say the Air Force is making a real effort to try and maintain flying hours?

General FINAN. Yes, sir, we are trying to keep our OPTEMPO at about the 1987 level, which we feel is about the minimum we need to maintain proficiency.

Mr. DICKS. How many hours is that per month?

General FINAN. It varies depending on the command. For instance, your tactical Air Force is probably 19.5 crew hours per month.

I think strategic in 1991 is about 17, 16.9. That is a little low. Military Airlift Command, which McChord is a part of, is around 30. That is because they fly a different kind of mission.

Mr. DICKS. You said TAC was about 19.5?

General FINAN. 19.5, yes, sir.

Mr. DICKS. Mr. Livingston, do you have any questions?

Mr. LIVINGSTON. No questions.

WORK YEAR REDUCTIONS

Mr. DICKS. The 1989 budget shows a proposed reduction of 3,553 end strengths but only 95 work years. Since we fund civilian pay on work years, do you feel this work year reduction is accurate, taking into account Mr. Cheney's civilian personnel freeze?

General FINAN. Yes, sir, I do. We had already implemented the hiring freeze in the Air Force in 1990 prior to Mr. Cheney's announcement and had already projected the results of that hiring freeze in our 1991 budget.

We are actually projecting a utilization rate of only about 95 or 96 percent of what we would expect to use if we used all the workyears. We were already pretty well suppressed in fiscal year 1990.

We just continued that leveling to 1991, even though the end strength is going down, your workyears will remain fairly constant.

Mr. DICKS. Why aren't your workyears decreasing more since so many of your positions are already vacant due to the freeze in fiscal year 1990?

General FINAN. This is because we had already considered a five percent vacancy rate, lapse rate, in 1990. We continued that into 1991.

We are actually utilizing much less than we are authorized.

Mr. DICKS. As U.S. civilians are reduced, it appears you are hiring more foreign national employees, specifically, you are adding 374 end strengths and 289 workyears.

Is it fair to be laying off U.S. employees and hiring foreign national overseas, or is there an explanation for this?

General FINAN. When we hire and release people for an end strength basis, we don't do it on a ratio of U.S. employees or military and foreign nationals. We look at the job that has to be done.

Based on that——

Mr. DICKS. Requirements?

General FINAN. It is requirements. As far as the foreign nationals, we are increasing direct hire. But if you look at the indirect hire, that is going down by almost 700.

There is sometimes a switch between countries and work load within countries.

Mr. DICKS. Why is it that when we add employees workyears increase quickly, but when we reduce employees, workyears doesn't decrease as quickly?

Is this the new math?

General FINAN. I think in the case of—I think in the case of our budget for 1991, what we have is a transfer of almost 2,000 spaces from nonappropriated funds to appropriated funds. These folks are already on the books. When you transfer them over, you get a full workyear. The other spaces that are coming off, you would get them out slowly and get a half workyear as you take them out.

Mr. DICKS. DOD officials said if Mr. Cheney's ongoing hiring freeze stays in effect until the end of the fiscal year, seven percent of the entire work force will be lost.

Why doesn't your budget reflect such a large decrease?

General FINAN. The Air Force already anticipated and had imposed a hiring freeze on our folks in 1990. That was projected into 1991.

We are around 95 percent or at least a five percent lapse rate. Incidentally, that hiring freeze has been lifted, so it is not effective——

Mr. DICKS. It isn't going to be seven percent?

It will probably be around five percent?

General FINAN. The impact of the hiring freeze actually hurt as far as losing people because they had nowhere else to go for a job so they ended up staying.

Mr. DICKS. They couldn't get a promotion?

General FINAN. That is correct.

Mr. DICKS. I think hiring freezes are very, very uneven. A lot of times you will have somebody who you want to hire at a high level and you can't do that.

It doesn't always fit with attrition. It just doesn't work.

General FINAN. That is correct. You get skill imbalances and problems like that.

Mr. DICKS. Are you going to hire people back for the civilian positions once the freeze is removed?

General FINAN. Pardon me?

Mr. DICKS. Are you going to start hiring people again?

General FINAN. Yes, we are.

Selected billets. The freeze was not lifted entirely.

It is only within DOD we can hire.

We cannot go outside DOD.

Mr. DICKS. Are you going to hire someone from DOD from one position to another position?

General FINAN. Correct.

Mr. DICKS. But you still can't go outside?

General FINAN. That is correct.

Mr. DICKS. That doesn't always work either, does it?

General FINAN. No, but it loosens things up a little bit.

Mr. DICKS. As our military forces are being drawndown, the associated civilian work force may also have to be reduced. Some defense experts believe every time two military positions are eliminated, one civilian position should also be eliminated. Others feel this ratio should be three military to one civilian. In fiscal year 1991, your budget reduces 15,000 military end strengths and 3,533 civilian end strengths. What do you feel is the correct ratio of military to civilians as we reduce our overall military force or is there any real ratio?

General FINAN. We don't look at ratios at all. We look at requirements and force structure needs.

We determine those positions that need to be military for wartime purposes or otherwise.

The remaining positions are civilian. There is no ratio we use at all.

Mr. DICKS. What role do you see the civilian work force performing in the military of the 1990's?

Do you see more functions being contracted out as we eliminate military positions?

General FINAN. I see a continuation of military to civilian conversion and a continuation of contract efforts.

Yes, sir.

COMMISSARY OPERATIONS

Mr. DICKS. How do you feel your commissary operations are presently functioning?

General FINAN. I think the commissary operations in the Air Force are excellent. They provide about a 25 percent cost savings.

I think they are operating very well, providing a good service to Air Force members.

Mr. DICKS. Do you have any stores open on a 24-hour-a-day a week basis?

General FINAN. We had one at Ramstein. That is no longer open on a 24-hour basis. That operation has been curtailed for that period of time.

Mr. DICKS. Haven't some people thought it was more economical to run them 24-hours a day?

General FINAN. We found out that was not the case.

Mr. DICKS. So you are not going to do that?

General FINAN. No, sir.

Mr. MURTHA. Are there any other questions? If not, the Committee will adjourn for a short period and then we will hear from the On-Site Inspection Agency.

Thank you very much, General.

WEDNESDAY, MARCH 28, 1990.

OPERATION AND MAINTENANCE, NAVY AND MARINE CORPS

WITNESSES

LT. GEN. W.G. CARSON, JR., U.S. MARINE CORPS, DEPUTY CHIEF OF STAFF FOR INSTALLATIONS AND LOGISTICS

REAR ADM. RAYMOND M. WALSH, U.S. NAVY, OFFICE OF BUDGET REPORTS, OPERATIONS DIVISION

INTRODUCTION

Mr. HEFNER. The Committee will come to order. This afternoon we will hear testimony on the Navy and Marine Corps Operation and Maintenance appropriations. We are pleased to welcome again Rear Admiral Raymond M. Walsh and Lt. General William G. Carson.

I would like to apologize, the chairman had to be with the Budget Committee, trying to stop the further erosion of money for this committee. We are happy to have you gentlemen with us. Your entire statements will be made part of the record.

Please proceed with your summaries.

SUMMARY STATEMENT OF ADMIRAL WALSH

Admiral WALSH. Mr. Chairman, Members of the committee, it is my pleasure to appear before you today to discuss the Navy's operation and maintenance program. I have a prepared statement that I would like to submit for the record. I would like to take a few minutes to summarize my statement and to give you an overview of our efforts to maintain readiness.

CHANGES IN CENTRAL EUROPE

Last year Secretary Gorbachev had only just proposed reductions in Soviet forces and no one could have foreseen how fast democracy has advanced all over the world; an advance that we most certainly welcome. The world is changing almost faster than we can absorb and certainly faster than we can plan for.

In the face of these changes, many have called for massive reductions in military spending. In spite of the changes, however, it is undeniable that Soviet behavior is ambiguous. Despite reductions proposed in Central Europe, Soviet Naval forces continue to grow, with new equipment being introduced to replace older equipment.

In addition, throughout the cold war, U.S. Naval forces have been required in a wide variety of non-Soviet related contingencies, with Libya and the Persian Gulf being recent examples. The requirement to project Naval power around the world as an instru-

ment of national policy has not diminished. This budget continues to support that flexible Navy that is, and will continue to be required.

FISCAL YEAR 1991 DEFENSE BUDGET

Even though fiscal year 1991 funding for the Operation and Maintenance, Navy appropriation is budgeted at the lowest level, in real terms, since FY 1981, we are able to support these naval forces at an acceptable level of readiness. The new ship classes introduced have been designed for more efficient operations and ease of maintenance, and we have instituted management reforms and efficiencies, especially in industrially funded and supply activities, which allow us to provide this support within reduced resources.

We have supported in fiscal year 1991, Congressional increases in maintenance of real property, that are included in the FY 1990 base. The ship steaming and flying hour programs are maintained at FY 1990 budgeted levels; however, ten percent of our non-deployed ship steaming and four percent of our total flying hours are in the drug interdiction account vice O&MN. The ship overhaul backlog is the same in FY 1990 and fiscal year 1991, and we have decreased the number of aircraft overdue for maintenance. We have implemented initiatives in medical programs to ensure increased access to quality care for beneficiaries and reduce the more costly CHAMPUS program wherever possible. However, we still have a long way to go before we can accurately project the total cost of medical care. Past emphasis on environmental programs continues, both for pollution abatement at sea and ashore, and for environmental cleanup.

DEFENSE MANAGEMENT REVIEW

We have implemented recommendations of the Defense Management Review, with the bulk of the savings appearing in subsequent years. The majority of the savings in fiscal year 1991 result from the extension of programs that we have had in place for several years and we are confident that they can be executed as budgeted. We have always subscribed to the policy that, to the maximum extent possible, the user should pay for services rendered and we have found this has had a natural effect of lowering requirements. For example, in FY 1985, when we moved aviation depot level repairables into the stock fund, and transferred funding responsibility to the users, requirements went down by some 20 percent with no reduction in readiness. A major part of the fiscal year 1991 DMR initiatives are a continuation and extension of this policy.

We are also leading a Department of Defense effort to use Computer-aided Acquisition and Logistics Support—CALS—to cut costs and add flexibility to several programs by using computer technology, rather than paper, to support design, manufacturing and administrative workloads.

REVOLVING FUNDS

In the past, the O&MN appropriation has been used as a vehicle for adjusting revolving fund cash balances. As we increasingly structure our budget with activities supported by the revolving

funds, it becomes more important to recognize that the Operation and Maintenance, Navy appropriation funds only about half of the revolving fund activity. Reductions for perceived excess cash in the Navy stock fund were taken entirely from O&MN, yet we did not get the full transfer authority back from the stock fund to "fill the hole."

The result was a $156 million undistributed O&MN program reduction. I ask that you ensure that when adjustments are made to revolving funds, the distribution among the customer appropriations be accurately reflected.

We are anticipating a difficult execution year in fiscal year 1990. As a way of readdressing imbalances caused by applying revolving fund reductions to O&MN, we have structured the budget on the assumption that $685 million in fiscal year 1990 will be transferred from revolving fund cash into O&MN. Besides the uncertainty of the availability of these transfers, we were hit hard by two disasters, Hurricane Hugo and the San Francisco earthquake. While we have been given extraordinary authority to help resolve the Hugo funding problems, we are still working out a solution for the earthquake's impact. To the extent that revolving fund cash balances do not support the transfers planned, the 1990 program will have to be reduced or deferred with a concomitant impact on fiscal year 1991. As always, the extent to which we can successfully address the problems that arise during the execution of the program depends in large part on the flexibility allowed us in using appropriated funds.

The President's budget contains operation and maintenance funding that supports a capable, ready Navy. We need your help in maintaining this support. I am ready to answer any questions you may have.

[The statement of Admiral Walsh follows:]

NOT FOR PUBLICATION UNTIL RELEASED BY THE HOUSE APPROPRIATIONS COMMITTEE

STATEMENT OF

REAR ADMIRAL RAYMOND M. WALSH, U.S. NAVY

OFFICE OF BUDGET AND REPORTS (OPERATIONS DIVISION)

BEFORE THE

DEFENSE SUBCOMMITTEE

OF THE

HOUSE APPROPRIATIONS COMMITTEE

ON

OPERATION AND MAINTENANCE, NAVY AND MARINE CORPS

28 MARCH 1990

NAVY OPERATION AND MAINTENANCE APPROPRIATIONS

I appreciate the opportunity to appear before you today to discuss the Navy's FY 1991 budget request for the Operation and Maintenance appropriations.

The world is changing. Over the past six months we have witnessed changes greater than any seen in the past forty years. These global changes, when combined with our own national fiscal pressures to reduce the deficit, require careful reallocation of our resources. In this new world, the projection of power to support our national interests remains vital, albeit more complex. For Naval forces, that power projection is provided through air, sea and a physical presence overseas. The recent political changes in the world make overseas basing an almost overwhelming challenge. These factors mandate that in the future, our forces be well manned, well trained, well equipped, mobile, flexible and able to respond rapidly and with sufficient strength to any situation which might arise. In financial terms, FY 1991 represents a transition to our new world.

In this budget are a number of initiatives designed to improve management and address fiscal pressures and global changes. These initiatives, developed last fall during the Defense Management Review (DMR), result in a decrease comprised of transfers and savings, of $944.9 million in FY 1991 and fall into five major categories.

Logistics initiatives such as moving Supply Depots and Inventory Control Points to the Navy Stock Fund will reduce supply costs. This initiative is consistent with our previous experience with Aviation Depot Level Repairables where funding responsibility was transferred to the users. The result has been reduced demand, reduced cost and increased readiness.

The cost of operations at Naval Aviation Depots and Naval Shipyards can be reduced through increased labor productivity, combined with efficiencies to reduce overhead costs and increased use of non-traditional competition.

We are changing the way we manage spare part inventories for foreign military customers. Previous policy has been to maintain inventories associated with foreign military sales for long periods of time. We plan to reduce the length of time these spare parts remain in the inventory. Inventory not sold to foreign governments, will be sold to the public through the Defense Reutilization and Marketing Service.

Administration initiatives reduce acquisition management staffing positions and streamline the acquisition process. Full implementation of Total Quality Management at our laboratories will increase efficiency.

Base Operations and Facility Management initiatives reduce operations at one overseas facility and cease operations at another.

Automated Support & Information Systems initiatives commence implementation of a single DOD Business Information System. Further, another initiative is the acceleration of ten specific Navy Computer Aided Logistics Support (CALS) programs. This will result in a significant cost avoidance in the outyears. Funding for CALS is included in a Department of Defense centrally managed account.

Finally, Finance, Procurement, and Contract Management initiatives reduce reliance on Contracted Advisory and Assistance Services by converting

contractor effort into civil service personnel at no increase in cost.

The FY 1991 budget also reflects a reduction in force size, including the inactivation of eight nuclear attack submarines (an increase of five SSN inactivations since the FY 1990/1991 President's Revised Budget submission) and two battleships. Seven ships are transferred to the reserve force. In consonance with these reductions, military personnel levels decline.

There are several funding transfers included in FY 1991. To more fully reflect investment-related costs in the budget, funding for first destination transportation is transferred from the Operation and Maintenance accounts to the procurement accounts. Funding for subsistence-in-kind is transferred from the Military Personnel accounts to the Operation and Maintenance accounts. Finally, funding for Central Supply Operations and Inventory Control Operations is transferred to the DON Stock Fund, whose customers will now reimburse the cost of these operations through the surcharge on Stock Fund sales.

In FY 1991, we sustain the Congressional increase in FY 1990 for maintenance and repair of real property to reduce the growing backlog of critical maintenance and repairs at naval facilities. The budget also includes an increase to reduce the backlog in aircraft rework, and other weapon systems and equipment rework. Several CHAMPUS health care contracting initiatives are reflected in the budget, as is the conversion to direct funding of reimbursed non-appropriated fund employees in Morale, Welfare, and Recreation Activities. Finally, funding for environmental compliance projects is increased over the FY 1990/1991 Amended Budget, reflecting the President's commitment to improving the environment.

APPROPRIATION SUMMARY

Table 1 summarizes the TOA estimates for the Department's Operation and Maintenance, Navy appropriation for the FY 1991 President's budget submission to the Congress. While FY 1990 has experienced an increase in absolute terms over FY 1989, it does not keep up with inflation and thus actually decreases from FY 1989 to FY 1990.

In real terms, the budget has declined for 6 consecutive years through this FY 1991 request. The current FY 1991 level represents a decrease from FY 1990 in both real and absolute terms, reflecting a real program reduction, after accounting for transfers, of 1.2 percent, as shown below. Succeeding sections address the request in detail.

TABLE 1
DEPARTMENT OF THE NAVY
FY 1991 BUDGET
APPROPRIATION SUMMARY
(In Millions of Dollars)

Fiscal Year	TOA	FY 1991 Constant $
FY 1986	$23,175.3	$27,988.2
FY 1987	23,375.4	27,314.7
FY 1988	24,934.4	28,240.7
FY 1989	25,137.5	27,320.5
FY 1990	24,559.6	25,755.1
FY 1991	24,531.6	24,531.6

FY 1990 ESTIMATES

The Congress enacted appropriations for FY 1990 totaling $24.8 billion for Operation and Maintenance programs. Subsequent to enactment, certain changes have been incorporated in FY 1990 and the current estimate is $25.5 billion. Congressionally directed reductions specified under general provisions of the Act, as well transfers proposed by the Department and authorized by various sections of the FY 1990 DoD Appropriations Act have also affected the totals. Table 2 summarizes the current FY 1990 estimate.

TABLE 2
DEPARTMENT OF THE NAVY
CHANGES TO FY 1990 ESTIMATES
(In Millions of Dollars)

	Enacted Appropriation	Congressional Adjustments	Seques-tration	Proposed Transfers	Proposed Deferrals	Revised Estimate
O&M,N	23,902.6	636.4	-	20.6	-	24,559.6
O&M,NR	894.8	28.7	-	-	-	923.5
TOTAL	24,797.4	665.1		20.6		25,483.1

The Congressional Adjustments can be attributed to the following categories:

The FY 1990 DOD Appropriations Act provided for several general reductions to amounts otherwise appropriated. Pursuant to these provisions, reductions totaling $51.4 million for Force Structure (associated with reducing active duty personnel in the MPN account and civilian personnel in the O&M accounts), $60.0 million were assessed against DON accounts for Contracted Advisory and Assistance Services. The O&MN share of these reductions is $45.8 million and the O&MNR share is $1.3 million.

Congressional action included several instances which require transfer from working capital funds in order to fund the approved O&M program. Such financing adjustments have become common in recent years to properly allocate

Congressional changes to industrially funded activities and to rebalance revolving fund cash balances. For O&M,N, such transfers total $682.2 million, comprised of $401.0 million from NIF and $281.2 million from NSF. Additionally, a transfer of $30.0 million from the Defense Stock Fund to O&M,NR was generated in support of Naval Reserve programs. The balance of the change to these accounts as a result of Congressional action is due to the general reductions and realignments discussed previously ($-45.8 million in O&M,N and $-1.3 million in O&M,NR).

In addition to the adjustments required as a result of Congressional action, several other reprogrammings are proposed by the Department as a result of emergent requirements.

Congress appropriated $450.0 million for the DoD Counternarcotics program. A portion of this amount is to be transferred to the Navy from the centrally-managed DoD account. In addition, funds totaling $21.8 million would be reprogrammed into O&M,N ($18.0 million) and OPN ($3.8 million) for Detection and Monitoring. Funds totaling $3.9 million would be reprogrammed into O&M,N ($2.6 million), O&M,MC ($0.2 million) and OPN ($1.1 million) for CINC Initiatives. These transfers are offset by reductions to the OPN and the RDT&E,N accounts.

OPERATION AND MAINTENANCE, NAVY

The request of $24,531.6 million in FY 1991 will support naval operating forces including operation and maintenance of ships, aircraft (including Marine Corps aircraft), weapons and support equipment, as well as the total spectrum of ongoing activity within the Navy support establishment, including a 3.5 percent civilian pay raise effective 1 January 1991.

The budget request reflects realignments between appropriations that: transfer funding for first destination transportation charges; transfer payments for subsistence-in-kind from Military Personnel, Navy; and transfer of Navy supply center inventory control points and second destination transportation to the Navy Stock Fund. Funding for installations of modernization equipment was transferred to the procurement accounts in FY 1990.

Two new activity groups entitled Claims and Other Court Directed Activities and Military Construction Support have been established. The first includes funding for Navy Claims, and hazardous waste handling and disposal and injury compensation arising from claims submitted under the Federal Employee Compensation Act (FECA). Funding for Navy Claims was realigned out of Base Operations Support to a more appropriate activity group. The other changes are a result of realignment of programs from other budget activities. The Military Construction Support Activity Group includes equipment to outfit new construction facilities.

Strategic Forces. The Strategic Forces budget activity provides for the continuing operation and maintenance of the Navy's Fleet Ballistic Missile (FBM) Force (nuclear submarines, supporting tenders and launch area support ships) and the maintenance and modernization of their strategic weapon systems. In addition, resources also support the TRIDENT submarine life cycle logistic support system and the TRIDENT refit program, base operations support, and operations of naval space systems and strategic communications. FY 1991 program increases in Strategic Weapons Systems and the TRIDENT program reflect delivery of a TRIDENT II submarine and the further development of the submarine base at Kings Bay to support the TRIDENT II submarines and D-5 missiles. The

Ship Maintenance program increase is due to a transfer from the Strategic Weapons Systems program for intermediate level maintenance support of the D-5 weapon system. Finally, the augmentation in fleet support is for the Strategic Communications program and reflects the transition of TACAMO squadrons from the EC-130 aircraft to the E-6A aircraft and the aircrew training for the new aircraft.

General Purpose Forces. The mission of the Navy's General Purpose Forces is to provide combat ready fleet forces capable of conducting strike operations and ensuring control of the sea and air in event of war, and to maintain a network of shore installations and commands. These forces deploy to the Indian Ocean, Northern, Eastern and Western Pacific, North Atlantic, Central and Eastern Mediterranean, Caribbean, and Central and South American regions.

Funding for Tactical/ASW, Fleet Air Training, Fleet Air Support and Ship Operations increases in FY 1991, primarily due to increased fuel prices and Stock Fund rate changes. FY 1990/1991 TACAIR/ASW aircrew manning for Navy and Marine Corps has been adjusted to 98%. Ship Maintenance and Modernization funding has a net decrease in FY 1991. FY 1991 Ship Operations and Ship Maintenance programs reflect the funding impact of force structure changes discussed earlier in Section II, as well as the impact of fuel price increases and stock fund and industrial fund rate changes.

Fleet Support includes funding for special combat forces, construction operations, fleet electronic command and control, and undersea surveillance. Special Combat Support funding includes the operation of twelve additional Landing Craft Air Cushion (LCAC) in FY 1991. Fleet electronic command and control funding in FY 1991 reflects full-year operations of the first

operational Relocatable Over the Horizon Radar (ROTHR) site at Amchitka, Alaska. Undersea Surveillance funding provides for the activation and operation of two additional TAGOS ships and related data extrapolation in FY 1991 and increased ship operations support for Sound Undersea Surveillance System (SOSUS) classified projects and classified project expansion. Cruise Missile support funding increases in FY 1991 as more recertifications are required.

Funding for Base Support reflects a one-time increase in FY 1991 for Maintenance of Real Property (MRP) to reduce the growing backlog of critical maintenance and repair. Base Operations Support funding increases in FY 1991 for new requirements resulting from strategic homeporting and a fully operational ROTHR site.

Funding for operating tempo in support of the drug interdiction program was previously reflected in this budget activity. Starting in FY 1991, these funds are budgeted in the central DoD counternarcotics account.

Intelligence and Communications. These programs provide for collection, analysis and dissemination of intelligence, meteorological and oceanographic data and communications support for the naval community. The FY 1991 program reflects increased funding for AUTOVON and AUTODIN rates. Also included is a significant increase to reflect renegotiation of the lease of "LEASAT" satellites, and the addition of three new oceanographic ships to conduct deep ocean and coastal surveys in support of naval operations.

Airlift and Sealift. The Strategic Sealift program provides the ability to store and rapidly move supplies and equipment overseas on cargo ships and

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tankers to potential areas of deployment, and ensures that strategic sealift ships, cargo offload systems, and theater logistic systems provide a smooth flow of materials to support combat operations worldwide. The increase in this program over the FY 1990 level is attributable primarily to pricing adjustments.

Central Supply and Maintenance Activities. These programs provide supply, maintenance, technical and other logistic and acquisition management support to the operating forces.

The FY 1991 program reflects two significant changes in funding responsibility. Funding for Central Supply Operations and Inventory Control Operations transfers to the DON Stock Fund, whose customers will now reimburse the cost of these operations through the surcharge on Stock Fund sales. Additionally, responsibility for Navy Subsistence-in-Kind payments (the purchase of food for military members) transfers from the Military Personnel, Navy appropriation to Operation and Maintenance, Navy in FY 1991.

Modest program increases reflected in the FY 1991 request include additional funding to reduce the executable depot maintenance backlog in aircraft rework, and other weapon systems and equipment rework. Additional funding is also included for the annualized cost associated with the conversion of contracted advisory and assistance services to in-house-performance in order to reduce the risk of compromise to the acquisition process. Funding levels for non-depot maintenance programs decline, even without considering the impact of inflation.

Training, Medical and Other General Personnel Activities. These programs provide training and education, health care, and related support to Naval personnel.

The FY 1991 request for training programs includes quality upgrades to the Naval Academy and service schools, and development of new "A" and "C" school courses.

Total medical program funding is relatively level from FY 1989 to FY 1991 at $2.0 billion. The CHAMPUS estimate is based on CHAMPUS workload projections and includes savings resulting from CHAMPUS reform efforts, realignment of funding to in-house performance, and various health care contracting initiatives. Funding for these contracts increases by $108.0 million in FY 1991. The additional in-house support personnel provided by Congress in FY 1990 ($50.0 million) are retained in FY 1991, again resulting in equal offsetting savings.

Administration and Associated Activities. This program includes funding for staff offices of the Secretary of the Navy and the Chief of Naval Operations, and provides service-wide support in the financial, legal and personnel areas.

FY 1991 programs reflect increases associated with the increased rental payments to General Services Administration, the overhaul of the USS CONSTITUTION, and Phase I implementation of the Real-time Automated Personnel Identification System for Reserve and National Guard activities, offset by the decentralization of payment under the Federal Employees Compensation Act (FECA).

Support to Other Nations. This budget activity provides funding for the Latin American Cooperation Program, emergency medical travel for certain Navy personnel and their families, the Technology Transfer Program and the Unified Commanders' cooperative programs and exercises with friendly nations. The FY 1991 program reflects additional support for USCINCPAC cooperative programs with friendly nations and USN hosted conferences sponsored under the Latin American Cooperative Program.

Special Operations Forces. The Special Operation Forces (SOF) budget activity supports the operation of seven SEAL Teams, two Swimmer Delivery Vehicle (SDV) Teams, two Special Boat Squadrons, two Special Warfare Groups, five forward based Special Warfare Units, the Naval Special Warfare Command, the Naval Special Warfare Center, and the Navy's portion of the Joint Special Operations Command. Additionally, this program provides for maintenance of various specialized equipment and facilities used by Naval Special Forces. FY 1991 funding has been transferred to the United States Special Operations Command (USSOCOM) which is assuming management responsibility for the SOF unique portion of the program.

Navy Industrial Fund (NIF) and DON Stock Fund (DONSF) Support. This program provides passthroughs and rebates to/from NIF/DONSF based on prior year losses/gains. Commencing in FY 1991, a direct NIF appropriation, rather than passthrough and rebates, will be used to adjust prior year operating gains/losses.

Table 3 provides summary financial data for the Operation and Maintenance, Navy appropriation.

TABLE 3
OPERATION AND MAINTENANCE, NAVY
(In Millions of Dollars)

	FY 1989	FY 1990	FY 1991
STRATEGIC FORCES	1,454.6	1,613.6	1,806.1
GENERAL PURPOSE FORCES	11,009.1	10,558.1	10,457.3
INTELLIGENCE & COMMUNICATIONS	1,081.7	1,128.3	1,275.7
AIRLIFT AND SEALIFT	529.6	423.3	461.7
CENTRAL SUPPLY & MAINTENANCE	5,847.9	5,483.2	5,568.5
TRAINING, MEDICAL & OTHER GENERAL PERSONNEL ACTIVITIES	3,838.6	3,938.1	4,270.0
ADMINISTRATION	839.7	662.7	684.9
SUPPORT TO OTHER NATIONS	4.3	6.7	7.3
SPECIAL OPERATIONS	102.1	92.1	--
NIF AND DONSF SUPPORT	429.7	653.3	--
TOTAL: OPERATION AND MAINTENANCE, NAVY	25,137.5	24,559.6	24,531.6

OPERATION AND MAINTENANCE, NAVY RESERVE

The FY 1991 budget request of $984.6 million supports the day-to-day costs of operating Naval Reserve forces, functions, activities and facilities. Requested funding includes a proposed 3.5% pay raise for civilian personnel in FY 1991.

Mission Forces. In FY 1991, Mission Forces will support a ship operating tempo of 21 days per quarter and a Naval Air Reserve PMR of 87 percent. Also included is funding for intermediate and depot level maintenance of Reserve ships and equipment, operational and technical support for Naval Reserve Force ships and aircraft, Base Operations Support (BOS), Special Combat Force Support, as well as Recruiting, Advertising, and Maintenance and Repair of Real Property (MRP). Beginning in FY 1991, funding for Special Operations Forces (SOF) is transferred to USSOCOM. FY 1991 funding growth in Air Reserve Forces is caused by stock fund rate changes. Ship Operations and Maintenance growth in FY 1991 is the result of the transfer of six additional KNOX-Class frigates to the Naval Reserve Force. Funding for Maintenance and Repair of Real

Property falls back to the FY 1989 levels following a one-time FY 1990 increase for environmental initiatives.

Depot Maintenance. The Depot Maintenance budget activity provides for the Reserve aircraft rework program. Aircraft rework funding decreases after FY 1989 due to the transfer of modernization equipment installation to the Aircraft Procurement, Navy (APN) appropriation.

Other Support. The Other Support budget activity contains funding for Reserve Management Headquarters and supports the Commander, Naval Reserve Force, New Orleans, LA. Table 4 provides summary financial data for the Operation and Maintenance, Navy Reserve appropriation.

TABLE 4
DEPARTMENT OF THE NAVY
OPERATION AND MAINTENANCE, NAVY RESERVE
(In Millions of Dollars)

	FY 1989	FY 1990	FY 1991
MISSION FORCES	574.2	832.6	912.4
DEPOT MAINTENANCE	120.3	84.4	65.4
OTHER SUPPORT	261.2	6.5	6.7
TOTAL: OPERATION AND MAINTENANCE NAVY RESERVE	955.7	923.5	984.6

NOTE: Starting in FY 1990, Base Operations, Recruiting and Advertising, and Maintenance and Repair of Real Property are realigned from Budget Activity 3, Other Support, to Budget Activity 1, Mission Forces. This adjustment aligns funds with the Mission Forces they support, and more closely resembles the alignment of funding in the active appropriations.

For similar reasons, Aviation Contractor Engineering Technical Support (CETS) is realigned from Budget Activity 2, Depot Maintenance to Budget Activity 1, Mission Forces

FLEET OPERATIONAL TEMPO

The FY 1991 aircraft flying hour program provides 87% Primary Mission Readiness (PMR), consistent with the FY 1989 and FY 1990 programs. This

supports 13 active carrier airwings, three Marine Corps airwings, and aviation components of the 1st Marine Amphibious Brigade.

For FY 1991 ship operations, deployed and non-deployed coverage will continue as in FY 1990 with carrier battle groups deploying in world-wide operating areas. OPTEMPO goals of 50.5 underway days per quarter for deployed forces and 29 underway days per quarter for nondeployed forces are maintained. Fleet OPTEMPO is summarized on Table 5.

TABLE 5
DEPARTMENT OF THE NAVY
FLEET OPERATIONAL TEMPO

AIRCRAFT - FLYING HOUR PROGRAM

ACTIVE FORCES	FY 1989	FY 1990	FY 1991
PRIMARY MISSION READINESS (%) 1/	87	87	87
FLEET READINESS SQUADRONS (%)	100	100	100
FLEET SUPPORT (%)	93	85	85
RESERVE FORCES			
HOURS PER PILOT PER YEAR	121	121	121

1/ INCLUDES TWO PERCENT SIMULATOR CONTRIBUTION

SHIPS - STEAMING DAYS PER QUARTER

ACTIVE FORCES	FY 1989	FY 1990	FY 1991
DEPLOYED	53.6	50.5	50.5
NON-DEPLOYED	28.1	29.0	29.0
RESERVE FORCES	21.0	21.0	21.0

SHIP MAINTENANCE AND AIRCRAFT DEPOT REWORK

Ship depot level repair funding decreases in FY 1991 as the total number of overhauls decrease by six and Selected Restricted Availabilities (SRA's) and Phased Maintenance Availabilities (PMA's) decrease by thirty-nine. Reduced funding levels are driven primarily by the accelerated retirement of older ships. Furthermore, beginning in FY 1990, Submarine Depot Modernization Periods (DMP's) have been reclassified as overhauls instead of restricted availabilities due to cost, length, and complexity, and are now reflected in the number of ship overhaul units.

Intermediate Maintenance Activity (IMA) funding increases as support for the TRIDENT II (D-5) Weapon System is functionally transferred from Strategic Weapons Systems Activity Group to Ship Maintenance. The Ship Inactivation line increases in FY 1991 to fund the retirement of two battleships, a total of eight nuclear attack submarines, a more expensive mix of ships, and increased reactor disposals.

Consistent with the FY 1990 Appropriation Act, Fleet Modernization Program installation funding has been transferred to the Procurement accounts. Funding for installation of aircraft and ordnance modernization equipment has also been transferred to the Procurement accounts.

The FY 1991 Aircraft Rework program includes a modest increase in funding to reduce the executable aircraft rework backlog, as reflected in the reduction in aircraft overdue for maintenance. Additionally, increased funding is included for pricing adjustments due to the 20.5% increase in the Naval Aviation Depot rates. Summary resources and program data associated with these maintenance programs are displayed in Table 6.

TABLE 6
DEPARTMENT OF THE NAVY
SHIP MAINTENANCE AND AIRCRAFT REWORK
(In Millions of Dollars)

ACTIVE FORCES SHIP MAINTENANCE

	FY 1989	FY 1990	FY 1991
SHIP DEPOT LEVEL REPAIR	2,799.9	3,407.6	2,497.6
DEPOT LEVEL SUPPORT	175.9	185.0	197.8
MODERNIZATION 1/	1,017.0	--	--
IMA	361.3	369.4	477.1
INACTIVATIONS	117.6	190.9	359.0
TOTAL: SHIP MAINT & MOD	4,471.7	4,152.9	3,531.5
NO. OF SHIP OVERHAULS (UNITS)	23	19 3/	13
NO. OF DEPOT MOD PERIODS (UNITS)	5	--	--
SHIP OVERHAUL BACKLOG (UNITS) 2/	3	2	2
NO. OF SRA's (UNITS)	95	110	90
NO. OF PMA's (UNITS)	69	64	45

ACTIVE FORCES AIRCRAFT REWORK

	FY 1989	FY 1990	FY 1991
AIRFRAMES	395.6	361.8	430.1
ENGINES	253.3	200.3	264.2
COMPONENTS	62.1	54.7	64.9
MOD INSTALLATIONS 1/	271.0	--	--
SUPPORT SERVICES	29.0	23.0	29.4
TOTAL: AIRCRAFT REWORK	1,011.0	639.8	788.6
AIRCRAFT OVERDUE FOR MAINT.	19	93	82

1/ Reflects transfer of installation funding to the procurement accounts.
2/ Ship overhaul backlog in FY 1991 contains 2 hulls backlogged due to lack of repair funding, including 1 reclassified Depot Modernization Period (DMP).
3/ Reflects the transfer of the USS ENTERPRISE (CVN-65) Refueling and Modernization to the Shipbuilding and Conversion, Navy appropriation.

WORKING CAPITAL FUNDS

The FY 1991 Inventory Augmentation request reflects FY 1990 Congressional direction concerning the procurement of new and/or additional inventory levels with appropriated funds. Prepositioned War Reserve funding will be used to procure items required to support forces during the interim wartime period between draw-down and on-hand stocks of consumables and expansion of industrial production capacity to wartime levels. War Reserve spares are procured to maintain a balanced inventory across the various categories of material.

Customer prices increase by 14.9 percent in FY 1991. These rates reflect the impact of moving operational costs of Navy Inventory Control Points, Supply Depots and the associated transportation and base operations costs for these activities into the Stock Fund in accordance with Defense Management Review initiatives to reduce supply system costs. Customer prices will now reflect the total cost of material procurement and management. Summary resources for the Navy Stock Fund are displayed in Table 7.

TABLE 7
DEPARTMENT OF THE NAVY
NAVY STOCK FUND
(In Millions of Dollars)

	FY 1989	FY 1990	FY 1991
INVENTORY AUGMENTATION	122.7	0	0
PREPOSITIONED WAR RESERVE	62.0	40.5	37.2
TOTAL	184.7	40.5	37.2

The Navy Industrial Fund appropriation request will provide for partial recovery of operating losses. In past years this has been financed by a passthrough from the Operation and Maintenance, Navy appropriation. However, the Congress recommended an alternative beginning in FY 1991. This procedure is revised to request recoupment of operating losses by direct appropriation.

Summary resources for the Navy Industrial Fund are displayed in Table 8.

TABLE 8
DEPARTMENT OF THE NAVY
NAVY INDUSTRIAL FUND
(Dollars in Millions)

	FY 1989	FY 1990	FY 1991
INDUSTRIAL FUND	0	0	238.7

CIVILIAN PERSONNEL

The Department of the Navy budget request includes the following civilian strength estimates:

	FY 1989	FY 1990	FY 1991
NAVY	332,264	326,532	320,086
MARINE CORPS	21,717	21,223	20,869
END STRENGTH	353,981	347,755	340,955

The FY 1990 and FY 1991 end-year estimates each represent a decline from FY 1989 actual levels, with the FY 1991 estimate reflecting a net reduction of 6,800 end strength below the current FY 1990 estimate. The estimates represent the manpower levels required to execute funded program and reflect a continued effort to contain personnel costs. Manpower levels decline from FY 1990 to FY 1991. This decline reflects reductions throughout the Department. Remaining manpower levels are adequate to execute the FY 1991 program. Within the constrained fiscal environment, the Department will continue to rigorously manage civilian employment as a cost linked to authorized program.

The Department's manpower estimates continue to reflect the results of completed Commercial Activities Studies and, in conformance to Executive Order 12615 of 19 November 1987, also reflect projected study savings. The Department estimates also project Efficiency Review savings, as well as significant productivity savings at naval shipyards and aviation depots as a result of the Defense Management Review.

Within the FY 1991 estimate there are several major increases and decreases. Major increases are for the substitution of civilians for military personnel, the conversion to direct funding of reimbursed non-appropriated fund employees in Morale, Welfare and Recreation (MWR) activities, and several programmatic actions. The substitution of civilians for military personnel will increase civilian end strength by 1,655 in FY 1991 with a significant savings in labor costs. The conversion of MWR employees will result in an increase of 1,939 end strength and will be accomplished in compliance with Congressional direction in the Authorization Conference Report for Fiscal Year 1989 (which directed that reimbursement of non-appropriated fund services with appropriated funds cease by October 1, 1990). This conversion will increase the requirement for overseas civilian work years. Programmatic increases are in two major areas. FY 1991 reflects continuation of the initiative to replace Contracted Advisory and Assistance Services with civilian personnel to reduce the risk of compromising the competitive acquisition process. Congress approved increases in personnel for this initiative starting in FY 1990, and the FY 1991 budget reflects plans to convert an additional 782 personnel. This FY 1991 conversion will be accomplished at a net saving to the government. The FY 1991 budget also includes an increase of 681 end strength due to refined workload estimates at Navy Aviation Depots and Ordnance Stations.

Offsetting decreases reflect revised estimates of civilian personnel due to a major functional transfer, Commercial Activities and Efficiency Review savings, and decreases in the number of personnel required to perform major programs. The functional transfer of 1,416 end strength from Navy Plant Representative Offices to the Defense Logistics Agency in order to consolidate contract administration functions is a Defense Management Review initiative.

Additionally, it is anticipated that the Efficiency Review and Commercial Activity programs will achieve savings of 1,903 end strength (FY 1990 Congressional direction to reduce Commercial Activity program administration has been reflected in both FY 1990 and FY 1991). A decrease of 9,019 end strength is based on revised workload estimates for Naval Shipyards as a result of lower funding estimated to be available from industrial fund customers.

It should be recognized that a majority of the civilian employees of the Department of the Navy are directly related to our readiness posture. Over half of the civilians work in industrial fund activities, which are primarily engaged in depot level maintenance and repair of ships, planes, and associated equipment. Many of the civilians employed at operation and maintenance activities such as supply centers, ship repair facilities, and Naval and Marine Corps air stations and bases contribute directly to operational readiness. The balance of the civilians provide essential support in functions such as training, medical care, and the engineering, development, and acquisition of weapons systems, which have a definite, although longer range, impact on readiness.

I appreciate this opportunity to describe the Department's Operation and Maintenance budget request. We seek your continued support.

Mr. HEFNER. Do you have a statement, General Carson?

SUMMARY STATEMENT OF GENERAL CARSON

General CARSON. Yes, sir.

Mr. Chairman, I, too, appreciate the opportunity to once again appear before you to present the Marine Corps O&M budget.

Before discussing that budget, I would like to thank the committee and the Congress for the past support and would especially like to thank you for last year's additional funding provided to us in the current fiscal year. We applied this funding to assure the continued readiness of the fleet Marine Corps.

For fiscal year 1991, we are presenting a budget request which, in general, maintains funding levels of 1990. In real terms, the growth is 3.4 percent over 1990, but when we net out the functional transfer of Subsistence-in-kind from the Military Personnel appropriation to O&MMC and first destination transportation to the procurement appropriation, what we have in real terms is a one percent decrease over FY 1990.

There is no fat in the budget. This budget continues to emphasize individual and small unit training tailored to the most likely contingencies, the use of wargaming as a cost effective alternative to large major exercises; support of the Marine Corps Maritime Prepositioning Program; professional education and training of all Marines at every level; quality in recruiting; and morale, welfare, and overall quality of life programs.

This budget also provides and considers a 3.3 percent civilian pay raise and $15.5 million, which is the Marine Corps tax on the DMR efficiencies. We believe that we met a balance of requirements and accepted a couple of risks because the Depot Maintenance backlog does continue to grow, and there is a continued growth in the Maintenance of Real Property. We believe these risks are acceptable and manageable, considering our changing world. Furthermore, these backlogs will not impact on the readiness of the Marine Corps operating forces.

Thank you, Mr. Chairman. I am prepared to address the committee's questions.

[The statement of General Carson follows:]

LIEUTENANT GENERAL WILLIAM G. CARSON JR., USMC

Lieutenant General William G. Carson Jr., is the Deputy Chief of Staff for Installations and Logistics and Quartermaster General of the Marine Corps, Headquarters Marine Corps, Washington, D.C.

General Carson was born March 7, 1932 in Norfolk, Va. He was commissioned in the regular Marine Corps in September 1953, upon graduation with a B.A. degree from Randolph Macon College, Ashland, Va.

He attended The Basic School, Quantico, Va., graduating in March 1954. He then reported to the 2d Marine Division, Camp Lejeune, N.C., where he served as the Communications Officer of the 3d Battalion, 2d Marines.

In April 1955, he completed the Supply Officers' Course at Camp Lejeune, and was assigned to the Service Battalion, Marine Corps Base, Camp Lejeune, until July 1955, when he was transferred overseas to the 1st Marine Aircraft Wing as the Supply Officer, Marine Air Control Squadron-3. Transferred to Headquarters Marine Corps, Washington, D.C., in November 1956, he served with the Supply Department. He was promoted to captain in July 1958.

Upon arrival at 2d Force Service Regiment, Camp Lejeune, in August 1960, he was assigned as the Officer-in-Charge, Materiel Division, where he served until May 1963, then reassigned to the Base there, as the Officer-in-Charge, Field Supply Maintenance Analysis Office. While serving in this assignment, he was promoted to major in July 1965.

The following month, he returned to Quantico, where he attended the Amphibious Warfare School and the Nuclear, Biological and Chemical Weapons School, until March 1966. He was then transferred overseas where he served with Supply Battalion, 3d Force Service Regiment, until May 1967. Returning to Headquarters Marine Corps, he again served with the Supply Department for four years. He was promoted to lieutenant colonel in October 1968.

From August 1971 to June 1972, General Carson attended the Marine Corps Command and Staff College at Quantico. He returned overseas as the Commanding Officer, 3d Service Battalion, 3d Marine Division, until July 1973. Receiving orders to Headquarters, Fleet Marine Force, Atlantic, Norfolk, Va., he served as the Assistant Force Supply Officer until his promotion to colonel in July 1975.

General Carson's next assignment was to the Industrial College of the Armed Forces, Washington, D.C., where he was a student until June 1976. He was transferred to the Marine Corps Logistics Base, Albany, Ga., where he served as the Director, Supply Operations Division, and later as Deputy Chief of Staff for Operations.

During August 1978, he was assigned as Chief of Staff, Marine Corps Logistics Base, Albany, serving in this position until July 1979, when he was transferred to Norfolk to assume duty as Force Supply Officer, Fleet Marine Force, Atlantic. While serving in this assignment, he was selected in February 1981, for promotion to brigadier general. He was promoted to that grade on April 1, 1981, and assigned duty as Director, Materiel Division, Installations and Logistics Department, Headquarters Marine Corps on June 1, 1981. He was advanced to major general on March 8, 1984. On Aug. 30, 1985, General Carson was assigned duty as the Commanding General, Marine Corps Logistics Base, Albany, Ga. He served in this capacity until June 7, 1988. General Carson assumed his current assignment on July 1, 1988. He was promoted to lieutenant general on July 5, 1988.

Lieutenant General Carson and his wife, the former Janet L. Palmore of Ashland, Va., have two children, Barbara and William.

PREPARED STATEMENT OF LIEUTENANT GENERAL W. G. CARSON, JR.
DEPUTY CHIEF OF STAFF, INSTALLATIONS AND LOGISTICS
UNITED STATES MARINE CORPS

INTRODUCTION

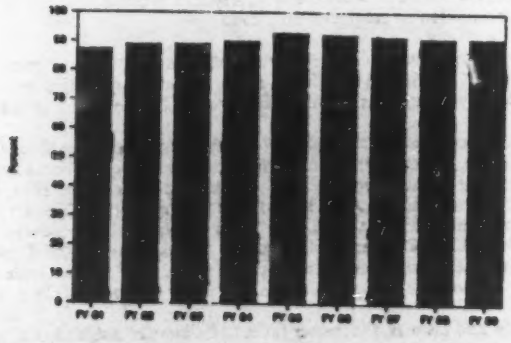
Mr. Chairman and members of the Committee, thank you for the opportunity to appear before you for a second year to present the Marine Corps' fiscal year 1991 operation and maintenance budget request.

I would first like to express the Marine Corps' appreciation to the members of this Committee and to the Congress for supporting our efforts these past years to modernize our Corps and enhance our readiness and sustainability. We are especially grateful for the additional funding you provided us in fiscal year 1990. Your support has allowed us to maintain our readiness above 90% over the last several years. We look forward to your continued support to ensure that we are able to maintain our current levels of readiness and sustainment.

The Marine Corps made great strides in military capability during the 1980's. In addition to modernizing our Fleet Marine Forces and the supporting establishment, we made steady progress in key areas:

- Materiel Readiness

FMF MAJOR COMMAND READINESS SUMMARY



- Recruiting of outstanding Marines. Our success in consistently recruiting top quality Marines continues to be a major contributor to the high state of readiness of the Corps.
- Quality of Life. Throughout the 1980's, the Marine Corps was able to improve the quality of life for both our Marines and their dependents.

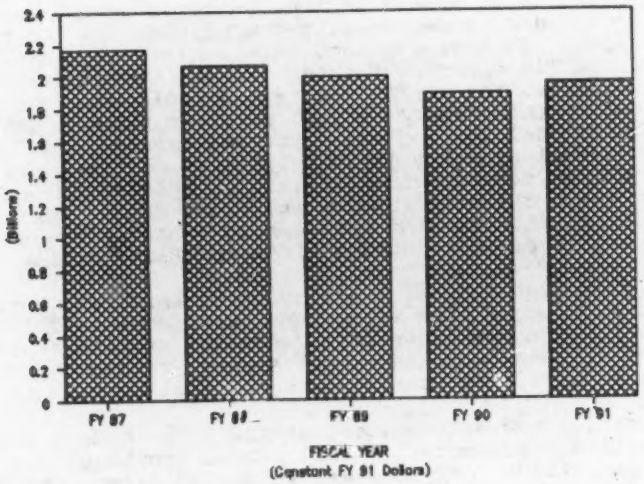
- Establishment of the Marine Corps Prepositioning Programs. During the 1980's, the Marine Corps invested in and continues to support both our Maritime Prepositioning Ships and Norway Prepositioning programs, which provide a rapid response capability.

Before I begin my remarks on the fiscal year 1991 budget, I ould like to provide an update to the Committee on the Marine Corps' use of the additional funding you provided in the fiscal year 1990 budget. We have utilized this funding to enhance the readiness of the Fleet Marine Forces by expanding individual training, exercises, and replenishment and replacement of equipment used by those Forces. Your generous support enabled us to provide additional funding for depot maintenance and maintenance of real property, thus helping to maintain our gains of the 1980's. We also provided additional funding to our bases and stations which directly support the Fleet Marine Forces. The overall impact of this funding has been to enhance the warfighting skills of individual Marines and Fleet Marine Force units.

Having given you a brief overview of our progress during previous years, I would like to address our fiscal year 1991 budget request. The resources in our present request strike a balance among all our competing requirements. Through judicious application, we will progress in areas of vital concern to the Marine Corps.

The Operation and Maintenance, Marine Corps budget request of $1,948 million represents, in real terms, growth of 3.4% over fiscal year 1990. As the chart below indicates, the downward trend of recent years has been slowed. After netting out functional transfers, there is, in real terms, a minor decrease of one percent from our fiscal year 1990 budget. The major functional transfers are: 1) a transfer of subsistence-in-kind funding in the amount of $93.5 million from the military personnel appropriation to the operation and maintenance appropriation; and 2) a transfer of first destination transportation in the amount of $10.9 million from the operation and maintenance appropriation to the procurement appropriation.

OPERATION AND MAINTENANCE
FUNDING LEVELS
FY 1987 – FY 1991
(Billions of Dollars)



THE FLEET MARINE FORCES

We remain confident that we have the capability within our Marine Expeditionary Forces to respond to the total spectrum of conflict, with a primary focus on low-to-mid intensity conflict. To ensure success in any conflict, we have taken care to maintain the proper balance among ground combat, aviation combat and combat service support components of the active and reserve forces. This balance provides decision makers with an integrated, self-sustaining, combined arms force-in-readiness manifested in our Marine Air-Ground Task Forces. Our focus on operations short of general war is a natural outgrowth of our expeditionary character. We provide multi-purpose forces that are capable of responding across the spectrum of conflict. To refine this capability, we have increased the number of training days with the emphasis on small unit and individual training. Our command elements are also being trained and conditioned to function in an environment that accepts a high degree of uncertainty and in which a rapid and abbreviated staff planning capability is the norm, not the exception. To fully develop our skills, the Commandant established the Wargaming and Assessment Center at the Marine Corps Combat Development Command at Quantico. This Center ensures we get the most for our training

dollar and provides cost effective alternatives to field exercises.

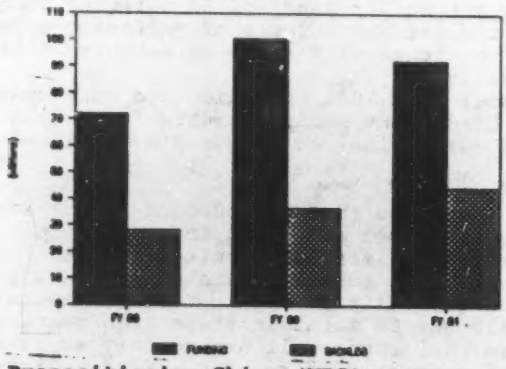
CENTRAL SUPPLY AND MAINTENANCE

Central Supply and Maintenance provides the essential logistics functions which allow us to maintain the readiness and sustainability of the weapons and equipment utilized by our Forces. Our logistics bases provide supply support and depot level maintenance to sustain the daily operations of the Fleet Marine Forces, as well as the weapons and equipment maintenance for the Maritime and Geographic Prepositioning Programs. Also funded under this program is the transportation of material to and from the Marine Corps Logistics Bases, for Fleet Marine Forces exercises, and in support of the prepositioning programs.

In January, the Marine Corps made significant progress in consolidating major logistics functions under operational control of the Marine Corps Logistics Base, Albany, Georgia. This command will consolidate supply and depot maintenance of the Marine Corps Logistics Bases at Albany, Georgia and Barstow, California. We expect this consolidation to provide more efficient support for the Fleet Marine Forces.

Maintenance of Marine Corps equipment is performed primarily at our two logistics bases. The following chart shows the funding levels and associated unfunded backlog for equipment maintenance. While the funding levels for equipment maintenance will decline during fiscal year 1991, we believe, by management of those items critical to Marine Corps readiness, and at the expense of mobilization requirements, we can sustain our current readiness posture.

DEPOT MAINTENANCE FUNDING



The Maritime Prepositioning Ships (MPS) program established in the 1980's provides the Marine Corps with three sets of forward-deployed equipment. Each set will support a variety of fly-in forces up to a brigade in size. This capability enhances

Marine Corps crisis response options throughout the world while minimizing the required airlift. Our budget request provides continued support for this vital program through the replenishment, modernization, and replacement of equipment during the MPS maintenance cycle.

TRAINING AND EDUCATION

Our Marines are more combat oriented than ever before because of our improved entry-level training. Our training is based on Marine Battle Skills Training, a comprehensive training program designed to develop and sustain a Marine's combat skills. This program provides for more field training during our basic recruit training. In addition, all male Marines, upon completion of recruit training, attend one of the schools of infantry at Camp Pendleton or Camp Lejeune. This four week course provides training in individual infantry skills, small unit tactics, and crew-served weapons.

Our Commandant has emphasized that every Marine must be educated and proficient in the science and art of warfighting. To accomplish this, our Marine Corps program ensures that every Marine is either attending a formal school or participating in a structured self-study program. Establishment of the Marine Corps University provides the cornerstone for our professional military education. The University includes the NCO Schools, Staff NCO Academies, The Basic School, the Amphibious Warfare School, and the Command and Staff College.

Two new programs, The School of Advanced Warfighting and The Art of War Studies, will be offered at the University in September 1990. The School of Advanced Warfighting is designed to prepare selected graduates of the Command And Staff College for key assignments in the Marine Expeditionary Forces (MEF) and high-level joint and combined staff billets. Our other new program, The Art of War Studies, is designed to educate selected officers in the art and science of warfare. Upon completion of the program, officers will serve as members of the Command and Staff College faculty.

Our fiscal year 1991 operation and maintenance request will support the Commandant's improvements in the training and education of our Marines at each and every level.

RECRUITING

We have continued to enjoy success in our recruiting efforts to attract quality men and women into our Corps. In fiscal year 1989, our recruiting efforts resulted in 95% of our first time enlistees being high school graduates. With a continual decline in the number of qualified applicants, our recruiting service will be challenged to maintain these high standards. Our ability to meet these challenges will depend on your assistance in providing the necessary recruiting and advertising resources for the difficult times ahead.

BASE OPERATIONS

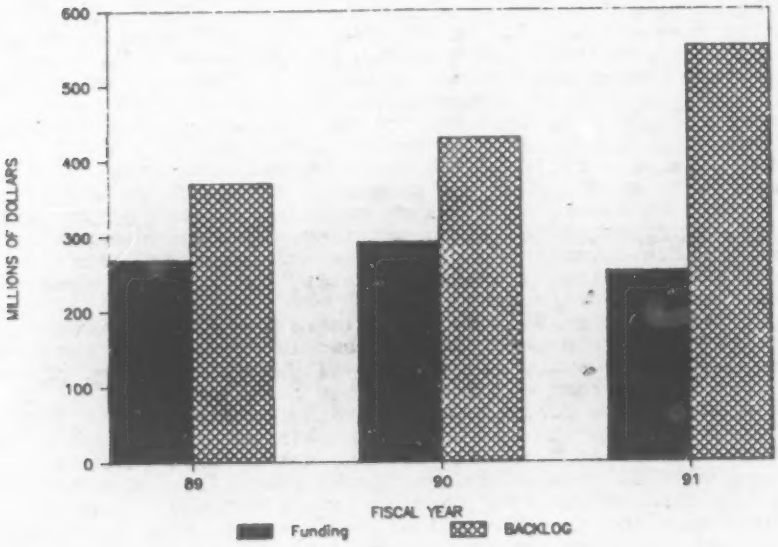
Adequate funding for the supporting establishment is essential to the readiness of the Fleet Marine Forces. The supporting establishment provides the housing, feeding, training ranges/areas and other essential facilities and services to support operational and training requirements and provide for the welfare of our Marines and dependents. The maintenance of this infrastructure is essential to the maintenance of an acceptable quality-of-life for our Marines while ensuring an adequate working and training environment.

In January, a draft of the Marine Corps Supporting Establishment Master Plan was presented to the Secretary of the Navy. This document, a necessary corollary to the Marine Air-Ground Task Force Master Plan, provides a guide for ensuring that the supporting establishment provides the necessary services to support the training, education, quality of life, and readiness of the Fleet Marine Forces.

Our fiscal year 1991 budget reflects the Marine Corps' concerns for environmental issues associated with our bases and stations. We are aware of the necessity to protect and preserve the natural resources entrusted to the Marine Corps.

The additional Congressional funding in fiscal year 1990 allowed us to slow the growth of our maintenance of real property backlog. Resources available for the maintenance of real property will be constrained in fiscal year 1991. The next chart shows the fiscal year 1991 funding levels and the unfunded backlog. Even though the backlog increases, it represents only 4.1% of the value of our facilities. To ensure we direct our resources at the most urgent repairs and protect the investment in our own facilities, we have identified and validated those maintenance projects critical to the maintenance of our Marine Corps facilities. By proper evaluation, validation and management of our maintenance requirements, we believe we can maintain the facilities necessary to meet our needs.

MAINTENANCE OF REAL PROPERTY FUNDING



SUMMARY

As I have previously stated, our budget request for fiscal year 1991 represents a balance of our resources among competing requirements. We have made some difficult decisions to ensure that the resources provided to us by the Congress are utilized to train and equip Marines for immediate service to the Nation. While we recognize the changing fiscal environment, we also recognize the importance of flexibly organized, versatile, expeditionary Marine forces to our country's defense. We firmly believe that this budget will support the Nation by supporting combat-ready Marines, highly trained and readily deployable in support of our National Military Strategy.

Key elements of the budget will:

Provide the training and equipment to develop unit skills, integrity, and cohesiveness to deploy, and then employ, disciplined and effective combat units.

Provide for the professional education and development of all Marines in the art and science of warfighting.

Provide for the operation and support of our bases and stations, maintain efficient mission support facilities, and support the quality of life our Marines and their families deserve.

Protect the natural resources of our bases and stations to the benefit of both our Marines and the citizens of this nation.

Provide the quality of life essential to attract and retain the best of America's youth.

With a budget of less than two billion dollars, we believe we have balanced the necessity to maintain our combat readiness and warfighting abilities with the need to provide the essential quality of life for our Marines and dependents and to protect the investment that the American people have provided the Marine Corps in the past decade.

STRATEGIC FORCES

Mr. HEFNER. Thank you, gentlemen.

No doubt the Operation and Maintenance appropriation is going to get its share of cuts. In order to understand the impact of significant cuts on O&M, let's discuss what a reduction of ten percent would do to the O&M budget. I know what ten percent would be in dollars, but how would a cut of this magnitude affect the following major force programs, such as strategic forces? The $1.8 billion in this program provides for the Navy's ballistic force. The Navy Space Command and Strategic communications are also funded in this program. Of the $1.8 billion, $328 million is for ship maintenance and modernization.

How would a ten percent cut affect the strategic forces?

Admiral WALSH. We are going to continue the stand up of the Trident II submarine, with the D-5 missile. With the ships already in the pipeline, there are very few things that you could do within the strategic program to take a cut of that magnitude.

If you are going to support the submarines that you currently have, you have to do the required training and maintenance. The only area available would be to reduce the surveillance and reliability program of the C-3 and the C-4 missiles.

That would mean "increased risk" and uncertainty of the weapons performance for those systems. I don't know of any way that we could take a reduction of that magnitude without some significant reduction in our strategic deterrent capability.

Mr. HEFNER. Are you saying that this budget has absolutely no fat in it? Every bit of it is muscle?

Admiral WALSH. Yes, sir.

Mr. HEFNER. It has been tripled? It is still lean and mean?

Admiral WALSH. Right now, in real terms we are about 1.2 percent lower in 1991 than the program we are trying to execute in fiscal year 1990. At the halfway point in fiscal year 1990, we are struggling. It is not clear how we are going to get through fiscal year 1990 as originally budgeted.

I don't know of any programs budgeted to include excess for discretionary programs.

Mr. HEFNER. That budget is $629 million over fiscal year 1990, and your strategic forces budget is $1.8 billion. Is there no room for maneuvering?

Admiral WALSH. We are delivering Trident submarines on the average of one a year. The first Trident II D-5 submarine became operational last week.

As you stand up the Trident II submarines increases are required to support them. Eventually, when the Poseidon program stands down and we have the D-5 in place, we will make appropriate reductions.

GENERAL PURPOSE FORCES

Mr. HEFNER. What about the general purpose forces, the $10.5 billion that is for ship and aircraft operations? There is $3.1 billion for ship maintenance modernization and a request for $62.3 million for flying hours and $137 million for steaming hours for the Department of Defense counternarcotics program. The Marine Corps

has $370.8 million for costs associated with Marine air-ground team, Marine security forces, Naval installations, aboard naval vessels, and Marine Corps training requirements for funding in this program.

What would a ten percent cut do? How devastating would that be to this particular program?

Admiral. WALSH. In fiscal year 1990, we have in all of Budget Activity 2, about $10.5 billion, with negative growth from fiscal year 1990 to 1991 of over $1.1 billion. Thus we have already taken a ten percent reduction between the funded 1990 program and the fiscal year 1991 budget.

Most of that is associated with the transfer of the USS *Enterprise* out of Operation and Maintenance, Navy into the SCN account that was fully funded in fiscal year 1990. We did not try to "fill in the hole," by increasing the remaining ship maintenance program. The budget is very similar to the second year of the amended fiscal year 1990 President's budget that we submitted last year.

Mr. HEFNER. When was this budget put together? Were they fine tuned after all the events began to happen in Europe? Was that fine tuning done after the events of the last six weeks?

Admiral WALSH. No sir. But we were fine tuning the budget up through the Christmas timeframe. Again an awful lot of what we do, particularly in Budget Activity 2, is not related to central Europe. The Persian Gulf, Libya and drug interdiction operations down in the Caribbean, are not related to the Soviet retrenchments in central Europe.

General CARSON. I would like to respond to your earlier questions and latest question.

As far as the Marine Corps is concerned, first of all, a ten percent reduction on what is a very small base, in the case of the Marine Corps, would impact on the operating forces. There are certain bills that have to be paid at the supporting establishment; the utility bills, the civilian work force. So, a ten percent reduction would definitely be passed to the operating forces.

I would see a further backlog in Depot Maintenance, a further backlog increasing in Real Property Maintenance, and a reduction in the end use equipment readiness of the operating forces, which for the past several years, has remained better than 90 percent.

I would also say that what has happened in the last few months, I do not see any impact on the Marine Corps. The Marine Corps mission has not changed since the 82nd Congress put it into law to be forces of combined arms, always ready for service with the fleet and for suppression of international disturbances between wars. Those are words out of the law. I don't see anything in Europe which has changed that because the Marine Corps was never oriented toward Europe.

Mr. HEFNER. As we look at this, trying to put together an Appropriations bill, there is obviously going to be some cuts. Of course, they are going to be moved around. We are going to have an overall number for defense. I guess what prompts these questions is we have to look for cuts from Defense every time there is a new issue that comes up, like Panama, or Nicaragua, or wherever. So then we have to scramble around and try to find the money.

We will be looking at areas where we have to make additional cuts, and tighten our belts, to where we can do the least damage. I guess that is the reason we are trying to ask these questions.

Mr. Dicks.

SHIP MODERNIZATION AND MAINTENANCE

Mr. DICKS. I want to welcome you both to the committee.

I would like to focus here initially on ship maintenance issues. I have heard reports that the Navy is considering classifying refueling of 637 and 638 submarines as modernization and not proceeding with them, effectively retiring these submarines well before their available service life is used. Is this correct?

What implications would it have on attack submarine force levels and workload levels at naval shipyards?

Admiral WALSH. In this budget, we are retiring all but one of the 594 class submarines.

Mr. DICKS. Which class was that again?

Admiral WALSH. 594. There will be one left at the end of fiscal year 1991. We are also accelerating the retirement of two 637 submarines in fiscal year 1991, the USS *Queenfish* and the USS *Sea Devil*. Each of these ships has roughly eight years of remaining life. Going back to the previous question of where do we take cuts or how do we take money out of the Navy, we looked at those forces that are approaching the end of their useful life and have very little potential left in them for future modernization.

To save the overhaul costs for these submarines which in the case of the USS *Sea Devil*, were driven by the requirement to certify for submarine safe operations, we made the decision to decommission them rather than to overhaul them.

There is an impact on the naval shipyards and we will rebalance the total ship maintenance requirements for fiscal years 1990 and 1991 based on the budget proposal. This will involve reassessing the public-private competition program as well the workload in the naval shipyards.

We will review future workload to make sure that we maintain a core of trained personnel to do the follow-on refueling overhauls for the SSN-688 class submarines starting in the mid-nineties.

Mr. DICKS. You mentioned the impact on the 594. You said two 637s. You are not taking out any 688s?

Admiral WALSH. No sir, we are not.

Mr. DICKS. Among the issues being debated in determining out-year Navy force structure levels is whether the number of carrier battle groups remain at 14 or are reduced to 12. What implication would a decision to go to the 12 carriers have on the planned workload for ship maintenance activities?

Admiral WALSH. That would depend upon a number of factors. Before you reduce forces, you first have to decide what the remaining force will do. If we maintain the same number of commitments with 12 carriers, as we are currently supporting with 14, the 12 remaining carriers will experience a significant workload increase. Eventually, the ship's materiel condition will deteriorate because you cannot keep up with the maintenance requirement. Also a lot of

sailors will leave the Navy, because they are going to be away from home a lot more.

Mr. DICKS. In other words, if we are going to have fewer battle groups, we have to reduce commitments?

Admiral WALSH. Yes sir. If you are going to try to maintain the worldwide commitments we have today, with fewer forces, you will have to utilize those forces more. That means you are going to end up wearing those ships and people out at a faster rate.

Alternatively if you decide on a different or reduced commitment structure, that you can live with, then you have a different scenario. In order to make an assessment of what the materiel and personnel condition of the fleet will be, you first have to decide the level of activity.

Mr. DICKS. Let's say we are going to reduce the level of coverage and that the upshot of that is that we will only have in the future—and I wouldn't support this by the way—I think we need to have 14 carrier battle groups. Going to this hypothetically, what would happen for ship maintenance activities if we went down to 12 carriers?

Let's say we reduced the scope of coverage and basically are going to keep the same kind of deployment schedules but just cover less of the world?

Admiral WALSH. We are often asked what is the cost of operating a notional battle group, including a certain number of cruisers, carriers, F-14s, et cetera.

If a reduction in force structure is required you would retire the older forces which are more costly to maintain, and have the least potential for future modernization. If we came down, we would not reduce an equal number of battle and support forces. We would examine the forces that are due for maintenance, that have little or no modernization capability left, and have a very high maintenance cost to operate them.

Depending on the decision there would be impact on the depot maintenance facilities, since we would decommission those ships due for maintenance. The shipyards will have work as we mothball these ships, but the workload would be less than that required to maintain them.

FORCE STRUCTURE

Mr. DICKS. Does it necessarily follow that if we went from 14 battle groups to 12 that we would necessarily have fewer support ships or other combat—that doesn't necessarily follow?

Admiral WALSH. No sir, it doesn't.

Mr. DICKS. We might take out the two oldest carriers and then——

Admiral WALSH. If you are going to maintain a forward deployed force structure, which we believe is necessary in order to maintain global stability, then the supporting forces would probably be about the same as we have now. The support force, the oilers, ammo ships, and the reefers are already stretched pretty thin.

Mr. DICKS. What about other combatants like cruisers?

Admiral WALSH. Again, we would look at what the changing requirements are and would look at the forces which have the least

modernization potential which are scheduled for a maintenance availability. We would to do it on a hull by hull basis. There is no stock answer to the question.

Mr. DICKS. The budget calls for the inactivation as we have been talking about here of eight nuclear attack submarines. The prospect of a START agreement leads to the likely requirement to retire virtually the entire Poseidon force within a seven year period. How many total submarine deactivations does the Navy currently plan and what problems are would they create for meeting regular overhaul requirements for those remaining forces?

Admiral WALSH. If you are looking at nuclear ships, the constraint does not necessarily have to be on the facility itself. The constraint in many cases may turn out to be how fast I can dispose of the reactor components. The limiting factor is not just the maintenance facility, or a drydock. If you are talking about conventional surface ships, they can be inactivated at a naval station or a private facility, and we have sufficient capacity to do that.

Mr. DICKS. You don't have the total submarine deactivation plan yet for——

Admiral WALSH. For 1991?

Mr. DICKS. Say for the five year period?

Admiral WALSH. No sir, we do not.

BASE CLOSURES

Mr. DICKS. The Administration has included two naval shipyards on the list of candidates for potential closure—Long Beach and Philadelphia. How dependent is a final decision on these closures dependent on the level of outyear funding for ship maintenance?

Admiral WALSH. Well, they certainly go hand in hand. We are studying those issues and looking at what our outyear maintenance requirements will be, as well as what our industrial facilities will be. No decision has been made on that. We are looking at the total impact not only on ship maintenance but also the contributions those facilities make to other programs.

For instance, the Philadelphia Naval Shipyard has a propeller facility which would need to be maintained regardless of what you do with the shipyard. It is a very interrelated, complex problem and will take some time to sort that out.

Mr. DICKS. I heard concern expressed about that particular facility. I also heard that there may be other facilities at Long Beach or other shops, things of that nature, either Long Beach or Philadelphia, that are also important.

Now, are you going to continue to maintain those? Would they be shifted to another yard, if possible?

Admiral WALSH. We are looking at that right now.

Mr. DICKS. You haven't made those decisions?

Admiral. WALSH. No sir, we have not.

Mr. DICKS. In examining the closure question, is any consideration being given to mothballing the facilities for some period of time in order to have the ability to reactivate them in a relatively short time frame if world developments reverse themselves?

Admiral WALSH. Yes, sir That would certainly be a consideration.

RESERVE FORCES

Mr. DICKS. Former Secretary of the Navy, John Lehman, testified yesterday before the House Armed Services Committee and argued that in looking toward the future of the Navy, that we should retain the basic current force structure, including 14 carrier groups, and four battleships. He suggested that in order to meet fiscal restraints, that we reduce operating tempo on the premise that major conflicts in the near future were less likely and that we increase reliance on reserve manning.

From your perspective, what are the pros and cons of the former Secretary's arguments?

Admiral WALSH. Well, sir, that is a longstanding philosophy of Mr. Lehman's. It is not something new.

There are a couple of considerations. We tend to focus on a training scenario, how much time is required to get the ship and crew ready, or to learn how to fix an engine, or to operate and repair the equipment in an operational environment.

If you just do the bare minimum to safely get underway or to safely get on and off the aircraft carrier, and never go any further you will miss two things:

One, you will never operate at an intensity that is high enough to allow you to develop the tactics that you are going to need to meet a changing scenario, or to meet a changing threat. If you are going to operate and stress a weapon system, including the people who operate and maintain it, then you have to do it in a high intensity situation. You cannot jump right into a major fleet exercise. You have to work up to it.

The second thing is that most of the people we train today, the ensigns, the JGs, the second and third class petty officers that we have, are a couple of years from now, going to be the ship's skippers, the squadron commanders and the chiefs. You are trying to build the experience base from which they will develop the instincts and intuition, to be the combat leaders of tomorrow. If you do not operate in a demanding situation often enough, you will never develop that experience base.

Going back ten or 15 years ago, we had many people with a lot of Vietnam experience. It was possible then to improvise, if necessary because you had that intense combat experience to fall back on. You had a lot of lieutenant commanders and commanders with a couple of thousand hours over North Vietnam and a lot of people that were used to operating in a combat situation. We don't have that today.

If you reduce training requirements today, then a couple of years from now, we will not have the personnel capable of successfully conducting a Libya or a Persian Gulf or a Panama operation.

TRAINING EXERCISES

Mr. DICKS. Is there a balance here that could be struck? Have a number of really major exercises each year, but then have some periods between those exercises where you drop your operating tempo?

Admiral. WALSH. We do that right now. Our non-deployed ships average 29 steaming days per ship, per quarter. An individual ship

may only have two or three days in one quarter, but 45 to 50 days in another quarter.

As you know, through a deployment cycle, from the day you return from deployment, you go through a stand down period, a maintenance period. You bring new people on board, you start basic crew training, get the ship safe and conduct damage control training. Then you work up through a series of exercises, each building on the next one until you get to a major fleet exercise. By and large, an individual ship or a carrier battle group, will only go through one major fleet exercise during the entire deployment cycle. It takes about a year from the time you come back to rebuild the experience base necessary to operate in a high intensity situation.

Our normal training cycle before a ship deploys is to do one major fleet exercise roughly about two months before the deployment. That is the culmination of the whole training period.

In the flying hour program, we average 25 flying hours per crew, per month, but in the turnaround period, after the carrier returns from deployment, it will be less. As they work up, just before the next deployment, they will exceed that 25 hours. You cannot send a pilot out across the beach at 400 knots, at 200 feet, in the middle of the night, unless he has flown an awful lot of sorties up to that point.

ENVIRONMENTAL PROJECTS

Mr. DICKS. We understand that. From the State of Washington, we know the dangers associated with that whole question. I understand that that kind of training, of course, is very crucial.

Last year, $34.5 million was added to O&M Navy and Marine Corps environmental projects. These funds could only be used for environmental facilities and hazardous waste disposal operations. or transferred to the Defense Environmental Registration account. How were these funds utilized? Please provide a listing for the record.

Can you tell us generally?

Admiral. WALSH. We just released the list yesterday and I will provide for the record what those projects are.

[The information follows]

	Amount millions
Underground storage tank measures, including assessment, monitoring, and removal	$4.5
Hazardous material issues, including waste storage, waste facility closure, PCB replacement and waste reduction	15.0
Oily waste management, including ship bilge, spill prevention, oil water separators and spill containment	4.8
Sanitary, storm and industrial waste water management and pollution prevention	2.3
Air pollution, primarily for reduction of volatile organics and assessing emission toxicity	2.6
Investigation of soil and groundwater contamination	2.4
Life Cycle Management (LCM) efforts for CFC/Halon, PCB, hazardous waste material and solid waste materials	2.9
Total	34.5

Mr. DICKS. How much is included in the fiscal year 1991 budget for environmental projects?

Admiral WALSH. In the hazardous waste disposal and environmental protection areas, we have moved away from what was once a centrally funded program and we are now working to distribute those funds down to the base and claimant level for two reasons:

One, they have a better feel for what their individual problems are.

Number two, when they see how much money they have to spend in order to do some of this, there is an incentive for them to prevent the generation of future waste.

In the O&MN account, pollution abatement is at $32.5 million, support is at $3.3 million, and abatement equipment is $1.6 million.

[The information follows:]

Navy: The current estimated Navy Shoreside Environmental Compliance (Pollution Abatement) backlog is estimated to be $1.356 billion. It is significant to note that this estimate is a compilation of survey data and does not represent the value of projects reviewed and justified during the annual budget process. The backlog is broken out as follows:

[Dollars in millions]

	Amount
Underground storage tanks	$168
Air Pollution Control (Based on amendments to Clean Air Act)	737
PCB transformers	73
Water	108
Hazardous/toxic substances	270

Mr. DICKS. Okay.

For the record, provide the operation and maintenance Navy and Marine Corps actual fiscal year 1989 and estimated fiscal year 1990 and 1991 amounts for environmental projects.

General, do you have something to add here?

General CARSON. I have the figure. I will provide the information for the record.

Navy: The following matrix reflects the funding plan by number of pollution abatement projects under a specific environmental regultory program:

	Fiscal year 1989		Fiscal year 1990		Fiscal year 1991	
	Numbers of projects	Cost (thousands)	Numbers of projects	Cost (thousands)	Number of projects	Cost (thousands)
Air	5	$1,353	4	$2,095	3	$1,205
Water	17	9,242	62	21,290	55	14,537
Noise		221		221		229
Solid waste	50	13,629	236	31,534	39	16,423
Pesticides	1	97	2	135		93
Total dollars	73	24,536	304	55,273	97	32,487

As a result of the FY 1990 Congressional increase, our pollution abatement program has been substantially accelerated. Although FY 1991 reflects a decrease from the FY 1990 program, it has been increased by $16.4 million over the original FY

1991 budget submission as a result of the Department's increased emphasis in this area.

[Dollars in thousands]

Marine Corps:	Amount
FY 1989 (actual)	$16,808
FY 1990 (estimate)	30,319
FY 1991 (estimate)	33,011

Mr. DICKS. How is the Marine Corps doing on this overall?

General CARSON. In 1990, we spent $6.7 million in environmental management. That increases by $3.35 million for a total of $9.3 for 1991. That is for environmental management. For environmental cleanup, we have gone from $11.9 million in 1989 to $13.3 in 1990 and are projecting $13.3 in 1991.

Mr. DICKS. Do you have a list, a backlog, a total you are working down on from? For the Marine Corps, for the Navy?

General CARSON. I can provide information for the Marine Corps. I can tell you, though, a lot of these bases are old. Every day you find another tank that was buried, that used to have gas in it 25 years ago. So every day it is like Easter.

Mr. DICKS. That is a unique way of putting it.

Why don't you, Admiral, give us for the record your total list, too?

[The information follows:]

Marine Corps: The $6.7 million in environmental management refers to a congressionally mandated increase to the Marine Corps O&MMC line. Of this amount $2.3 million was applied to hazardous waste disposal at various activities. The remaining $4.4 million was used to fund the FY-90 studies and projects listed below:

[In thousands of dollars]

MCAGCC 29 Palms, CA—FY90 Environmental project list:	Amount
Biological/assessment, consultation, desert tortoise	$60
Fort Irwin Trail environmental assessment	80
Groundwater monitoring	12
Natural resources/environmental program support	68
Subtotal	220
Albany, GA—FY90 environmental project list:	
Base-wide waste analysis	50
Hazardous substance release response	20
Inspection of process tanks	30
Resource Conservation Recovery Act—Part B permit update	40
Spill prevention contingency control	75
Waste stream determination	50
Underground storage tanks investigation and testing	33
Environmental reference materials	2
Subtotal	300
Barstow, CA—FY90 environmental project list:	
Air quality compliance inspection study	20
Air toxic hot spots inventory	45
Contract specifications for sludge removal	5
Drinking water permit modification	25
Ground water contamination monitoring	40
NEBO/YERMO in ponds testing	20
Site assessment work plan for city landfill	40
Spill prevention contingency control update	45

YERMO industrial waste minimization/pretreatment study	60
Subtotal	300
Beaufort, SC—FY90 environmental project list:	
Oil/water separator investigation	50
Resource Conservation Recovery Act—part B permit update	40
Sample/analysis PCB transformers	42
Storm water detention/retention study	60
Spill prevention contingency control plan update	35
Staffing requirement study	15
Wetlands/endangered species survey/digitization	30
Subtotal	272
MCB Camp Pendleton, CA—FY90 environmental project list:	
Air toxics "hot spots" inventory	150
Environmental assessment, Mountain Warfare Training Center	8
Environmental inspection and report system setup	32
Permits for oil/water separators	57
Off-base water quality monitoring	10
Preliminary hydrogeologic assessment report	115
Underground storage tanks testing	160
Subtotal	532
MCAS El Toro and Tustin, CA—FY90 environmental project list:	
Emission inventory plan implementation	20
Emission inventory plan, El Toro	30
Emission inventory plan, Tustin	30
Planning aerial photos	20
20 year air quality management plan study	25
Underground storage tanks testing	225
Waste minimization study	50
Digitize real estate maps	50
Waste stream identification and analysis	50
Subtotal	500
MCAS Cherry Point, NC—FY90 environmental project list:	
Environmental software	15
Groundwater monitoring	250
Hazardous waste minimization/disposal study	50
Waterfowl study	67
Solid waste management unit remediation study	200
Underground tank testing	25
Underground storage tanks testing	20
Water supply study and master plan	96
Wetlands management	10
Subtotal	733
Headquarters, U.S. Marine Corps—FY90 environmental project list:	
Marine Corps-wide National Environmental Policy Act training course	34
MCB Camp Lejeune, NC—FY90 environmental project list:	
Add to air toxic inventory	20
Aerial survey Onslow Beach	3
Comprehensive inventory, listed species	50
Environmental impact statement land acquisition	25
Hazardous waste tank closure	90
Environmental permits	15
Sanitary landfill study	50
Soil gas tester for spill sites	15
Solid waste management unit assessment	80

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Underground storage tanks	52
Subtotal	400
MCAS New River, NC—FY90 environmental project list:	
Air pollution discharging monitoring	40
Hazardous waste stream analysis	30
Stormwater runoff study	50
Subtotal	120
MCRD Parris Island, SC—FY90 environmental project list:	
Biological diversity study	30
Clean closure underground storage tanks assessment	25
Garden City site investigation/environmental documentation	46
Hazardous waste management plan	35
Lead testing family housing	15
Waste water treatment study	35
Wetlands survey	90
Subtotal	276
MCCDC Quantico, VA—FY90 environmental project list:	
Research library	50
Hazardous substance spill response plan	50
Outfall study	100
Sanitary landfill	25
Sludge management plan	25
Wetlandr/waterfowl project plans	50
Subtotal	300
MCRD San Diego, CA—FY90 environmental project list:	
Spill prevention contingency control and spill contingency plan	15
MCAS Yuma, AZ—FY90 environmental project list:	
Antelope study	30
Land use study	40
National Environmental Policy Act documentation for Chocolate Mountain aerial gunnery range	100
Natural resources Chocolate Mountain	25
Underground storage tanks management study	25
Underground storage tanks testing	178
Subtotal	398
Total	4,400

The FY91 environmental management figure contained in the subject testimony should read $8.3 million vice $9.3 million. The following is a list of environmental management P1 projects planned up to $8.3 million.

[In thousands of dollars]

	Amount
MCB Camp Pendleton, CA—FY91 environmental project list:	
Landfill closure & postclosure plans	30
Air toxic "hot spots" inventory	150
Preliminary hydrogeologic assessment report	135
Asbestos testing	50
Potable water testing	353
Endangered species management	160
Well drill-resources & environmental protection	100
Erosion control	50
Investigate site contamination, filling stations	180
Site investigation 22A filling station	90
Site investigation 22A exchange filling station	90
Leak protection study, active underground storage tanks	100
Characterization study, Las Pulgas landfill	100
Site characterization Las Pulgas wash rack	150
Update SPCC plan	60

Closure Box Canyon landfill	340
Subtotal	2,138
MCAS Kaneohe Bay and Camp Smith, HI—FY91 environmental project list:	
Hazardous waste stream characterization	7
Underground storage tank (UST) leak detection/follow-up	300
Waste water treatment plant upgrades	35
Asbestos detection	200
Endangered species protection projects	225
Subtotal	767
MCAS Beaufort, SC—FY91 environmental project list:	
Hazardous waste minimization/disposal study	50
Underground storage tank testing	25
Subtotal	75
MCLB Albany, GA—FY91 environmental project list:	
Base wide waste stream analysis	150
Leak detection (underground storage tanks)	25
Air pollution compliance study	20
Indefinite quantity testing	100
Storm water discharge study	50
Solid waste management unit investigations	25
Spill response	39
Blount Island remediations	66
Subtotal	475
MCAS Yuma, AZ—FY91 environmental project list:	
Underground tank testing	198
Site assessment and closure plans	150
Execute closure of underground storage tanks	200
Environmental documentation for Chocolate Mountain Range	100
Subtotal	648
MCRD Parris Island, SC—FY91 environmental project list:	
Clean closure	251
Test control storage facility	75
Total	326
MCRD WRR San Diego, CA—FY91 environmental project list:	
Hazardous substances management plan	25
Lead testing of potable water	6
Underground storage tank precision testing	20
Subtotal	51
MCAS El Toro and Tustin, CA—FY91 environmental project list:	
Underground storage tank testing/compliance	313
Crash crew pit ground water monitoring	10
Effluent point source study	30
Hazardous waste staging areas closure	50
Subtotal	403
MCCDC Quantico, VA—FY91 environmental project list:	
Erosion control Grays Reservoir	132
Erosion control borrow pit	168
Repair to non point source discharges	313
Subtotal	613
MCB Camp Lejeune, NC—FY91 environmental project list:	
Study of impact of ordinance on land and surface waters of impact areas	50

Industrial waste pre-treatment effluent quality study	100
Ground water monitoring, drinking water supply MGMT	50
Environmental Monitoring of underground storage tanks, solid waste management units	250
Wetlands assessment and management	15
Non-point pollution source identification and related surface water quality monitoring	50
Design study for wastewater treatment plant sludge disposal/handling facility	100
Study of lead in water collers activity wide	150
Pollution control facilities design sanitary landfill	50
Pollution abatement above ground used oil tanks	50
Study of air quality permit requirements medical waste disposal	25
Study of use of reprocessed oils	10
Study for groundwater aquifer management	125
Soils/wetlands program support	8
Monitor, maintain, and identify end species habitat	62
Natural heritage inventory land acquisition area	50
Natural heritage inventory MCB, phase II	35
Subtotal	1,180
MCAS Cherry Point, NC—FY91 environmental project list:	
Groundwater monitoring	200
Hazardous waste disposal avoidance	32
Subtotal	232
MCAGCC Twentynine palms, CA—FY-91 environmental project listing:	
Air pollution control maintenance/materials	135
Air pollution control repairs	41
Solid waste management maintenance/materials	55
Natural resources protection	3
Natural resources studies/management plans	450
Water pollution control materials/maintenance	25
Water pollution repairs	18
Water pollution studies	30
Hazardous waste mgmt. materials/maintenance	18
Hazardous waste minimization studies	40
Underground storage tank (UST) repairs	212
Subtotal	1,027
MCLB Barstow, CA—FY-91 environmental project listing:	
Emergency industrial wastewater treatment	200
Vapor recovery system	20
Asbestos removal	25
Air quality compliance	20
City landfill site assessment	100
Subtotal	365
Total	8,300

The term "environmental cleanup" in the testimony can be more accurately described as the cost estimated by each activity to have been expended for environmental compliance from their base operation funds. These funds were used for such requirements as permits; fines; lab analysis; local authority maintenance; repair and construction; training and travel; development of plans; and locally funded environmental studies and contracts.

[In thousands of dollars]

	Amount
Navy:	
MCB Camp Pendleton, CA:	
Remove underground fuel tanks, various	$6,933
Spill prevention contingency countermeasures barrier, San Onofre	88
Pollution containment pad, headquarters area	177
Pollution containment pad, 33A area	180
Spill prevention contingency countermeasures barrier, north area	156

Pollution containment pad, 14A area	163
Pollution containment pad, 22A area	163
Pollution containment pad, 43A area	153
Pollution containment pad, 62A area	175
Spill prevention contingency countermeasures berms, southern area.	161
Spill prevention control and countermeasures barrier, heating fuel...	135
Pollution abatement pads, various	156
Pollution abatement pads	165
Construct spill prevention contingency countermeasures, northern area	147
Alarm systems, oil/water separator	141
Alarm systems, oil/water separator	165
Alarm systems, oil/water separator	118
Alarm systems, oil/water separator	141
Spill prevention contingency countermeasures barrier, heating fuel storage	69
Construct spill prevention contingency countermeasure, north area ..	130
Subtotal	9,716
MCAS Kaneohe Bay, HI/Camp Smith, HI:	
Improvements to wastewater treatment plant section 1	113
Improvements to wastewater treatment plant section 2	114
Improvements to wastewater treatment plant section 3	114
Improvements to wastewater treatment plant section 4	104
Improvements to wastewater treatment plant section 5	183
Transformer station at wastewater treatment plant 898	142
Compressed air equipment facility, wastewater treatment plant	80
Replace oil water separators, various	182
Fueling sites containment improvements	88
Pollution abatement facility improvements	160
Fuel spill containment improvements	90
Pollution abatement, various locations	164
Replace oil/water separators 1152/1617/4061	183
Fuel spill prevention/containment—various	41
Pollution abatement facility improvements	156
Underground storage tank JP-5 leak clean up, tank 1253	450
Repair effluent irrigation system	540
Subtotal	2,904
MCAS Beaufort, SC:	
Natural resources/environmental affairs administrative building	178
Monitoring system, underground storage tanks	139
Miscellaneous environmental projects	150
Subtotal	467
MCLB Albany, GA:	
Construct hazardous materials storage lot	154
MCAS Yuma, AZ:	
Hazardous waste reduction plant	188
Natural resources enhancement/support	166
Subtotal	354
MCRD Parris Island, SC	0
MCAS New River, NC	0
MCRD WRR San Diego, CA	0
MCAS El Toro/Tustin, CA:	
Hazardous waste storage facility	174
Hazardous waste storage pads	137

Hazardous/flammable lockers for squadron	172
Subtotal	483
MCCDC Quantico, VA:	
Erosion control	554
Residual chlorine discharge	89
Construct spill response storage facility	138
Construct loading ramp/pave lot	133
Subtotal	914
MCB Camp Lejeune, NC	
Deep water fording pit	185
Grating covers for oil/waste separators	120
Construct hazardous waste storage pads, various	184
Construct dechlorination chambers	119
Construct chlorination chambers	124
Drying bed	177
Construct hazardous materials storage pad	98
Construct hazardous materials storage pad	86
Storm water control structure, tank trails	200
Maintenance, repair and construct, stream crossings on tank trails	300
Remediation associated with underground storage tanks, remove and replace	175
Upgrade hazardous material storage facility at lot 201	150
Accumulation site facility, non-resources conservation and recovery act oily wastes	175
Sewer connection, hazardous material storage	200
Hazardous material storage buildings for selected battalion level FMF operations 20 sites	500
Accumulation, treatment and disposal facility for non-resource conservation and recovery act contaminated soils and related waste	150
Subtotal	2,943
MCAS Cherry Point, NC:	
Improve oil/water separators	4
Hazardous waste pad and berm	12
Erosion controls	6
Fertilizer and fish food storage facility	14
Erosion control along sidewalk	3
Asphalt paving natural resources/environmental affairs building area	12
Equipment shed floor,	20
Contaminated soil cleanup	200
Subtotal	271
MCAGCC Twentynine Palms, CA:	
Hazardous waste storage areas	600
Oil water separators repair	1,000
Subtotal	1,600
MCLB Barstow, CA:	
Closure of landfill	450
Industrial wastewater treatment ponds remediation	560
Subtotal	1,010
MCAS Iwakuni, JA:	
Construct hazardous/flammable storage	176
Oil/water separator, construct curbs	134
Waste oil drum storage, magazine area	163
Waste oil drum storage, various	107
Install auto shut-off valve	146
Waste oil drum storage	188

Waste oil drum storage	172
Subtotal	1,086
Camp Butler (Okinawa and MCAS Futenma), JA:	
Hazardous waste staging facility, Fuji	117
MCAS Camp Pendleton, CA	0
Total Marine Corps backlog	22,019

[In thousands of dollars]

Activity:	Backlog
MCLB Albany, GA	154
MCLB Barstow, CA	1,010
MCAS Beaufort, SC	467
Camp Butler, JA	117
MCAS Cherry Point, NC	271
MCASs EL Toro/Tustin, CA	483
MCAS Iwakuni, JA	1,086
MCAS Kaneohe Bay, HI	2,904
MCB Camp Lejeune, NC	2,943
MCAS New River, NC	0
MCB Camp Pendleton, CA	9,716
MCAS Camp Pendleton, CA	0
MCRD Parris Island, SC	0
MCCDC Quantico, VA	914
MCRD San Diego, CA	0
MCAGCC Twentynine Palms, CA	1,600
MCAS Yuma, AZ	354
Total	22,019

CIVILIAN MANPOWER

Mr. DICKS. As our military forces are being drawn down, the associated civilian work force will also have to be reduced, based on some ratio. Some defense experts believe that every time two military positions are eliminated, one civilian position should be also eliminated.

Others feel this ratio should be three military to one civilian. What do you feel is the correct ratio of military to civilian as we reduce our overall Navy forces?

Admiral WALSH. In the Department of the Navy, we would violently disagree that there is, or should be any pre-determined ratio of military to civilian positions. When we build the program and when we build the budget, we do not build a civilian manpower program. Civilian manpower is a resource, not a program.

We look very hard at the workload, whether depot maintenance, base operations, or whatever. Based on that workload, we fund the number of civilians that are required to support that workload. We have no ratio. We refuse to have a ratio. We think that that is the wrong way to go.

Mr. DICKS. I must tell you, I think you are right.

General CARSON. I would like to say the Marine Corps agrees with that. One of the problems when we start cutting civilians, we seem to look at the numbers game. In the case of the Marine Corps, we have one civilian per 11 Marines. That is not the same ratio as in our sister services. If somebody says "X" percent cut across the board——

Mr. DICKS. When you had reductions in the past, how have you done this? If there is a reduction on the Navy side, you look at—is there any corresponding look at the civilian side at the same time?

Admiral WALSH. We look at the workload. If we are going to make a reduction, for example, a reduction in depot maintenance, there are civilians in the industrial activities that support that maintenance requirement. If the maintenance requirement decreases, the work force decreases too. If the requirement increases, the civilian workforce increases.

Mr. DICKS. So you think they should be looked at according to what they do?

Admiral WALSH. Yes sir.

Mr. DICKS. No artificial ratios should be imposed?

Admiral WALSH. Yes sir they should not.

General CARSON. I agree.

Mr. DICKS. Anything else you want to add for the record on this?

What role do you see the civilian work force performing in the military of the nineties? Do you see more functions being contracted out as we eliminate military positions, or some civilian substitution being used as well?

Admiral WALSH. We are doing both. We looked very hard. The defense management review considered at demilitarizing some billets. We are looking at all those functions currently being performed by military to determine if they could be performed by civilians, and if they could, does it have an effect on sea-shore rotation. If we can do something with civilians that does not affect sea-shore rotation, we will make it a civilian billet.

The question then becomes whether or not it is in-house civilian or is contracted out.

CIVILIAN PERSONNEL HIRING FREEZE

Mr. DICKS. Department of Defense officials have said if Mr. Cheney's ongoing hiring freeze stays in effect until the end of the year, seven percent of the entire civilian work force will be lost. Do you think that is true?

Admiral WALSH. I can't speak for the Department of Defense but right now, the civilian hiring freeze is hurting the Navy.

Mr. DICKS. In what ways?

Admiral WALSH. Basically, the way it was implemented. There is no ability to transfer between organizations, so there is no attrition. When you build a budget, you normally expect to see somewhere between two and four percent attrition within the workforce as people come, go, get promoted, move to different jobs. Since nobody can go anywhere, nobody is leaving. Every one of our claimants is above plan at this point. We were supposed to come down by 6,000 civilian end strength fiscal year 1990. We are not there yet. We are having a difficult time trying to figure out how to fund the work force.

We have a policy that says we will not RIF or furlough people except as an absolute last resort. We are struggling right now. We are trying to figure out how to maintain the work force that we have.

General CARSON. Mr. Dicks, I would like to add one point. In the case of the Marine Corps today, the hiring freeze, per se, has not hurt as much as the other part of the policy, which says I can't shift people.

Mr. DICKS. Why is that? Why can't you shift? Does DOD say you can't shift?

General CARSON. You can't hire—he and I both are engineers. He is the senior. We sit side by side somewhere. He retires. I am due for the promotion to move over to that seat. Not only can't we hire for that seat, I can't move over there. So it is more than just a freeze. It is a relocation of people within a command.

Mr. DICKS. Congress didn't do this. This was done by the Administration?

Admiral WALSH. Yes, sir.

Mr. DICKS. We get accused of a lot of things here. I want to make this clear.

General CARSON. Inside the beltway, the field says "they." We are "they."

Mr. DICKS. We get lumped together with "them."

Are you trying to get any relief? Have you appealed?

Admiral WALSH. Yes, sir.

Mr. DICKS. To higher authority?

Admiral WALSH. Yes, sir.

Mr. DICKS. Has it been met with deaf ears?

Admiral WALSH. That I couldn't say.

PAY RAISE

Mr. DICKS. The Administration proposed a 3.5 civilian pay rise for fiscal year 1991. What impact do you foresee on your programs and personnel if the Congress does not approve this pay increase or has the service absorb this increase?

Admiral WALSH. You get what you pay for. It will be difficult to hire the quality people you need if you are not willing to pay them accordingly. An awful lot of the depot maintenance depends on good engineering support to back it up. If you can't hire the people at a quality wage to do the work, you are not going to have the right people. We have a difficult time right now just trying to hire secretaries.

Mr. DICKS. Anything there, General, you want to add?

General CARSON. I agree.

Mr. DICKS. Thank you, Mr. Chairman.

PHILADELPHIA AND LONG BEACH SHIPYARDS

Mr. HEFNER. Just one other question.

On the second base closure candidate list somebody mentioned the Philadelphia and Long Beach shipyards. I am curious, do you think these are good candidates? I am asking you your personal opinion.

Admiral WALSH. Based on the series of assumptions we were given at the time, and the amount of resources assumed to be available, and the world situation, they asked for our best judgment on what kind of things we would do.

We have to look at all the impacts. If you are going to reduce the budget, obviously you have to reduce force structure and the infrastructure that supports it.

Mr. HEFNER. Are you saying these would be the two best candidates, in your opinion?

Admiral WALSH. If the assumption is that we are going to drastically reduce the size of the Navy, dramatically reduce our depot maintenance requirements, and if we are going to dramatically reduce our non-nuclear depot maintenance requirements, then those would be candidates.

Mr. HEFNER. I understand they are candidates. Am I putting you on the spot?

Did the Navy come up with these?

Admiral WALSH. Yes sir.

Mr. HEFNER. Was this a Department of Defense developed list?

Admiral WALSH. They were Navy proposals to the Secretary of Defense.

Mr. HEFNER. If these are candidates, what are the amounts of military construction and asset capitalization funds in 1990 and 1991 for Philadelphia and Long Beach?

Admiral WALSH. I would have to get that for the record. I don't handle the military construction account. I will have to get that for the record.

[The information follows:]

In FY 1990, the Military Construction, Navy (MILCON) budget includes $10.0 million for construction of a Hazardous and Flammable storehouse at the Naval Shipyard (NSY) Philadelphia. In addition, there is $1.6 million associated with the Asset Capitalization Program (ACP), budgeted in the Other Procurement, Navy (OPN) appropriation. No MILCON funds are included for NSY Long Beach, but there is $1.2 million of ACP funds.

In FY 1991, the MILCON budget request includes $.5 million for an asbestos removal shop at NSY Long Beach. No funds are included for NSY Philadelphia. No ACP funds are requested for either shipyard.

The ACP budget is prepared at the activity group level, and the individual shipyard, and represents a compilation of all shipyard requirements. ACP funds are provided during execution to the activities based on priority of projects.

Mr. HEFNER. Mr. McDade.

Mr. MCDADE. Thank you, Mr. Chairman.

I would like to follow up on Congressman Hefner's question about the Philadelphia/Long Beach situation. I heard you use words like "a series of assumptions" and adjectives like "drastically and dramatically." What were the assumptions? How many aircraft carriers are you taking down when you reach the assumption of suggesting Philadelphia?

Admiral WALSH. If carrier decommissionings impact the carrier service life extension program, as an example, then there would be an impact on Philadelphia.

Mr. MCDADE. If not?

Admiral WALSH. No impact.

Mr. MCDADE. If the assumption is you don't take down three carriers, then you would not recommend——

Admiral WALSH. No sir.

Mr. MCDADE. And the Navy would not?

Admiral WALSH. I think that is correct.

Mr. McDADE. What about other shipyards that might be candidates apart from these? Have you looked at others assuming you don't have this dramatic or drastic decrease?

Admiral WALSH. You look at the work that has to be done, the facilities, the resources required to accomplish that work. Then go from there.

Mr. McDADE. So I could give you an assumption and say assume we are taking two more battleships out. If I were to give you that assumption, what yards would you close as a consequence?

Admiral WALSH. Depends on many other factors, sir. I can't take two ships in isolation.

Mr. McDADE. The groups associated with it? You were not going to put a carrier out alone, are you?

Admiral WALSH. No sir.

Mr. McDADE. You were not going to put a battleship out alone.

Admiral WALSH. No sir.

Mr. McDADE. We are talking about the group that would customarily——

Admiral WALSH. Again, it depends. Based on the commitments of the battlegroups.

Mr. McDADE. I am saying to you assume we don't have a need for two battleships, what do you take down?

Admiral WALSH. Do you mean support ships?

Mr. McDADE. Support ships, and the yards? I am asking you specifically about the yards based on that assumption, a different assumption than the one you used when you talked about carriers. I am asking you for what your professional opinion would be based on an assumption of two fewer battleships.

Admiral WALSH. The battleships primarily have been maintained in nuclear shipyards. We have two battleships scheduled for inactivation in fiscal year 1991. We have two battleships operating that are scheduled for depot maintenance in the fiscal year 1992–93 time frame.

Mr. McDADE. Where is the work going to be done?

Admiral WALSH. One on the West Coast and one on the East coast.

Mr. McDADE. Would there be other support ships involved?

Admiral WALSH. That again depends on whether or not we reduce our commitments. For example, although we are decommissioning the *Iowa* and the *New Jersey*, we are not decommissioning additional combatants to go along with them.

Mr. McDADE. The reason you did that is based on what assumption?

Admiral WALSH. The deployment commitments we have and the number of ships to fill those commitments. The battleship is only one piece of that.

Mr. McDADE. So you decided, you opted to take the two battle wagons but leave the supporting equipment based upon the assumption of a world need as you perceived it?

Admiral WALSH. Yes sir.

MAINTENANCE OF REAL PROPERTY

Mr. McDADE. Okay.

Let's go to maintenance of real property. Last year the committee added an additional $100 million for the Navy to reduce the maintenance of real property backlog. Of the $156 million the Congress added for general readiness items in MRP, the Marine Corps used $41.5 million for maintenance of real property. According to our 1991 budget documents, the Navy's request improves the MPR backlog somewhat, increasing by only—and I use that advisedly—$8 million from the estimated 1990 backlog because of an increase of $185 million.

The Marine Corps request, however, it looks even worse to us in the 1991 backlog, increasing roughly to $120 million from an estimated 1990 backlog of $60 million. Do you agree with those numbers, General?

General CARSON. I agree with the numbers, because the numbers came from bases throughout the Marine Corps. But I can tell you that in that backlog there is a lot of nice to have things that in today's world just won't happen. We are revisiting that entire backlog.

Mr. MCDADE. You are scrubbing it again?

General CARSON. That is correct.

Mr. MCDADE. For further reductions in the budget?

General CARSON. Further reductions in what is included in that backlog, no. What we have in the budget, the real property maintenance projects are front burner type projects that must be done. I am saying that, that backlog includes missions from the field that has some questionable items in it.

Mr. MCDADE. When you sit on this side of the table and you see that number double in a given fiscal year, it looks like you haven't made a sufficient request on behalf of the Corps to take care of the backlog, to take care of the infrastructure, the real property you have got?

General CARSON. I understand exactly where you are coming from. Having said what I said, we are rescrubbing it. We are relooking at it. We may still find it was a valid growth because here we are dealing with bases and installations and buildings and steaming systems and everything else that goes with it, that are ancient.

Mr. MCDADE. Yes.

Admiral, you have an increase in your budget. The Navy's backlog would be $1.5 million in real property maintenance. Do we get to do something like what the Marine Corps is talking about in redefining how we categorize the backlog, considering we are going to look at what will probably reduce funding over the next few fiscal years?

Admiral WALSH. I don't think we are in the business of redefining the backlog. Every year our base commanders do a survey on what they consider to be the backlog. At the end of fiscal year 1990, the backlog is estimated to be $1.4 billion. In fiscal year 1991 it is estimated to be $8 million more than that.

The projects considered in the backlog in fiscal year 1990 are not the same projects in the backlog in fiscal year 1991. Some of the projects in 1990 will be funded and others deferred to fiscal years 1991 and 1992.

Each project is scrutinized during the budget review process, we look at every one of them, to determine if it is still a valid requirement.

There are other things that happen as you go along. For example, in 1991 submission, part of the DMR process is to move the direct mission funding for the supply depots and the ICPs into the stock fund. In the process of moving that, we also moved $88 million of MRP funding into that line. So that the supply depots and the ICPs take along with it their entire base operations and MRP projects.

Every year, when we go through the budget process, we look at the individual projects, the claimants look at the individual projects. Some things come up as merchant requirements that are a higher priority than things we intended to fund. I don't think we are redefining the issues so much as looking at each individual project to see where it stands on the priority list and how——

Mr. McDADE. Are you saying you are giving it a harder scrub?

Admiral WALSH. I don't know that we are giving it a harder scrub——

Mr. McDADE. Don't you think you should?

Admiral WALSH. I think we give it a pretty good scrub right now, sir.

Mr. McDADE. Then it is hard for us to look at a backlog like that and be comfortable with that. That is why we added money last year, you know.

Admiral WALSH. Most of the increase we are asking for is in the area of major repair projects.

Mr. McDADE. Give a couple of examples.

Admiral WALSH. The evaporators, the water purification system down at Gitmo.

Mr. McDADE. That is the saline water facility you are talking about? The water cracking plant?

Admiral WALSH. Yes, sir. For years it was deteriorating over time. It continued to be deferred. In 1989, we had a major failure. The cost of replacing it is pretty high. In fact, we are still working on that. Because of the failure, we have to barge water down to Gitmo in the interim.

Mr. McDADE. You have no alternative now?

Admiral WALSH. No, sir.

Mr. McDADE. There was no argument with the priorities there?

Admiral WALSH. The cost turned out to be significantly more than we estimated. The amount of resources available for other projects are less, because we had to allocate more to Gitmo.

Mr. McDADE. How much did it cost to escalate?

Admiral WALSH. I will have to get that for the record, sir.

[The information follows:]

The estimate in FY 1987 to replace two flash evaporation units was $16 million. The project was deferred until FY 1989 and the actual award of the two units was $22.6 million or $6.6 million more than estimated in FY 1987. Furthermore, contingency water measures had to be implemented, which included barging water and installing Commercial Reverse Osmosis (RO) units. Barging water will cost approximately $5.6 million over FY 1990 and 1991 and the commercial RO units will cost approximately $10 million over three years. The end result, then, is a net increase of $22.2 million, more than doubling the original estimate.

Mr. McDADE. You may not think you have to do redefining, but it sounds like you have to do something. You may discuss priorities or buzz words like that. But backlog keeps growing. We keep adding money. It still keeps growing. I understand you used the illustration of Gitmo, no optional source of water. Price goes up. You have to take it, I guess. I wonder about all the others that make it up.

Admiral WALSH. If you look at the total backlog as compared to what we call the critical backlog, the critical backlog is a pretty small piece.

Mr. McDADE. How much would your critical backlog be?

Admiral WALSH. The critical backlog, $1.5 billion.

Mr. McDADE. One and a half billion dollars?

Admiral WALSH. Yes sir. The total backlog is significantly larger.

Mr. McDADE. Doesn't sound small over here. Certainly when you look at a constrained budget.

Admiral WALSH. If you look at it in comparison to the total plant value.

Mr. McDADE. Admiral, nobody is going to argue about Gitmo. You have no other choice, no other source of water. When you talk about a billion and a half critical, those are very strong words.

Admiral WALSH. Yes, sir.

Mr. McDADE. It is a matter of concern to us.

Thank you, Mr. Chairman.

Mr. HEFNER. Just to follow up on that. You talk about a billion to a billion and a half. And probably if it follows the normal pattern, it is underestimated. So you are probably talking about a couple of billion dollars at least.

We have never, to my knowledge, had a project that we said hey, we did real great job here, we came in over budget. I am playing the devil's advocate here. We have backlogs every place. We can't even begin to keep up. You probably are closer to $2–3 billion than you are a billion and a half. In the next year, there will be other projects that will take on a critical nature also. That changes from year to year, especially when you are dealing with old plants.

Mr. Sabo.

Mr. SABO. No questions, Mr. Chairman.

Mr. Miller.

RECRUITING AND ADVERTISING

Mr. MILLER. Thank you, Mr. Chairman.

General Carson, in your statement, you talk about recruiting and the recruiting of outstanding men and women in the Marine Corps. You refer to the success, consistently, in attracting top quality of Marine recruits and as I read somewhere, 97 percent of them are graduates of high school at least. We had people in just the other day concerning recruiting. We had officers from the four different Services who, as I understood were responsible for recruiting.

Apparently, you also are responsible for recruiting to a certain degree, is that correct?

General CARSON. I am responsible for funding their recruiting efforts. Recruiting and Advertising costs are funded in the O&M ap-

propriation. For the Marine Corps, I am the O&M appropriation sponsor.

Mr. MILLER. Well, I am sorry to go through this again today because the committee has heard it many times, but we need to take a look at our recruiting, because we are in a whole new ball game. That ball game is that the President has announced personnel will return from Europe, and personnel from Japan and South Korea and it appears that when those people come back—and some will be Marines—that we will have at that time a surplus of personnel.

I can visualize us having a Supplemental bill to appropriate money, to get some of the people out of the Services, because we would be breaking the contract with them.

At the same time we are recruiting and we have an advertising budget of something around $213 million for TV and magazines. I am thinking we all should be working together so that we would not have new recruits and servicemen returning from overseas and other people going out—in other words, we have someone coming in the front door and someone going out the back door. It will cost us to get them out, and it costs us to get new recruits in.

What is your thinking on this? It seems to me we should be able to hold down the recruiting and hold down the advertising.

General CARSON. Well, you are going to have people going out when their enlistment is up and recruiting new people. I know you probably heard this the other day, but recruiting costs are going up. I don't think—it was so bad this year. I didn't watch the Super Bowl, but I am told for the first year you didn't see a military recruiting advertisement on there, because it is no longer affordable.

You have much fewer eligibles from the pool of the high school graduates that we are after. The pools, the recruiting pools that recruiters use to accumulate recruits waiting in the wings, in the Marine Corps, they had already dried up. They dried up long before any announcement in Europe.

I believe, in my personal judgment, from what I have seen, going out talking to recruiters—and I wish every one of you could go out and just spend a few hours with them, and see what they go through beating those bushes trying to get those quality recruits—it is the toughest peacetime job in the military today. I wish you could watch it.

In my judgment, it is going to cost more to get fewer.

Mr. MILLER. We have those Marines that are already trained and we have a contract with them to stay for so many years, yet they may be paid to get out of the Service. Then we will have to recruit a new group of Marines, and not only have them on the payroll, but assume the expense of their training.

Do you see any way how we could hold on to some of those Marines that are already trained and especially not shorten their time and pay them for breaking the contract? Because by all indications the surplus is going to be here.

General CARSON. We are certainly hoping we don't have to pay anybody to get out. We are hoping that the reprogramming or some percent of it, will come through so that we can honor all contracts of all Marines. We are hoping that we continue to get somewhere in the neighborhood of a 20 to 30 percent reenlistment figure of our quality Marines.

But you are still going to have a 100,000 or 200,000 man Marine Corps; whatever we end up with, you are still going to have annual recruiting. Right now, we bring in about 35,000 new recruits a year. We are looking for that figure to certainly go down. I think that you probably heard that in testimony the other day. But let's assume that it goes down to 25–26,000. It is going to cost to get those recruits in.

Mr. MILLER. Yes, it is going to cost. I can see that the people paying taxes will read and see pictures about troops coming home on the East Coast and on the Wet Coast. It is going to take time, but it has been decided that there will be a reduction overseas of our troops. That means some will be Marines. There is no doubt about it.

But as people see that, and then also see across the street this recruiting station that is still conducting business as usual, they are going to ask why my tax dollars are being used for recruiting when they have all this surplus coming back in. We are going to have, as I see it, the people saying it seems that the Congress, the Administration, and the military are not telling us the facts, or else that the right hand doesn't know what the left hand is doing. That is going to happen. It is down the road.

I would feel the same way. All we are trying to do is show the people that we are giving them the facts because they are going to say we are not squaring with them.

Mr. DICKS. Will the gentleman yield to me on that point?

Mr. MILLER. Yes.

Mr. DICKS. Isn't the point, General, that you are trying to make, even if we are reducing the size of each of the Services, there still has to be a group of people that are coming in at the lower ranks that will work up? Now, maybe we will be recruiting less, but there still has to be an annual recruitment effort, and we will have to explain that to the American people.

I think the gentleman is correct. There are people out there who think, can't you just freeze everybody in their position, don't advance anybody, and just keep everybody there. But that is going to be a misperception of the reality. That isn't the way it works. So we have to explain that to them.

General CARSON. I think it will have to be explained to them. It is not a first. We had drawdowns after World War II. We had drawdowns after Korea.

Mr. DICKS. You still had the recruiters? You need new people coming in?

Mr. HEFNER. Will the gentleman yield?

There is one difference. You also had a draft going at that particular time.

General CARSON. Absolutely.

Mr. HEFNER. I don't mean to take the gentleman's time, but I am one of these Neanderthals that think the draft was a good idea, a show of patriotism.

Mr. Miller is right. If you are not getting recruits, you have to up the ante. You have to pay more for the All Volunteer Army, am I right?

Mr. DICKS. Or Navy.

Mr. HEFNER. Or Navy or Air Force or Marine Corps. If they don't want to enlist, you can't make them.

General CARSON. Retention might be higher if you pay more. You don't want to end up with a Marine Corps with everybody as ancient as I am.

Mr. HEFNER. Mr. McDade and I were just talking about that. We are going to have people in the Marines 70 years old. In fact, Joe and I were thinking about maybe joining up.

Mr. DICKS. General, we just hope they are all as good as you.

Mr. HEFNER. You will have guys out there that can't remember where they are supposed to go. You don't want to have that problem, do you, General?

I am sorry, I didn't mean to take the gentleman's time.

Mr. MILLER. You go right ahead. That is fine. I understand. I guess what we are doing, too, is to try to convince you that there will be problems and when we talk about we had the problem before, we did have the problem before. Yes, we had the draft, but never have we had as high a figure that will be allocated to recruiting. That must be up about ten percent over the present year, and I do not believe that recruiting is something that should be increased at least.

What my problem is, when we hit the floor with this bill, we are going to have a lot of challenges. We are going to have to explain to those people that yes, recruiting is going on, but at a lower level; I wasn't talking about doing away with recruiting, I know that we would need to continue. But by the same token, if the recruiting is up, at the same time that we are pulling back troops and have a surplus, they are still going to feel that we are not squaring with them.

So much for that.

SUPPORT TO OTHER NATIONS

I understand, Admiral Walsh, that the funding for support to other nations has increased almost 70 percent. Could you give us more about the programs that this funding supports and the reason for the increase?

Admiral WALSH. The increase in budget activity ten for Support to Other Nations went up from fiscal year 1989 to 1990 primarily due to an increase in the Title 10 funding at CINCPAC. The program is at the same level in fiscal year 1991. It is $6.7 million in fiscal year 1990, increasing to $7.3 in 1991 which is almost all price growth. There is no fundamental change.

Mr. MILLER. I guess that is part of the question. What are we doing under that program?

Admiral WALSH. Support to other nations is a series of small programs. It funds, for example, the medical travel of military personnel assigned as "Attachés" when they have to come back to the States or a U.S. military treatment facility.

It has to do with the training of foreign officer students at some U.S. military schools, and it is——

Mr. MILLER. I understood we were recouping what was spent, that the other nations will pay to have their officers trained in our military schools?

Admiral WALSH. Yes sir.

Mr. MILLER. You say we are still using this money for that purpose?

Admiral WALSH. No. We have some—I don't know how I would categorize it. We have some incidental—that is not quite the word—we have costs associated with that program. They do, in fact, pay for their schooling, but we still have some support costs that are associated with that. I can get you for the record a breakout of all the things we pay for out of that program.

Mr. MILLER. I think that would be good.

I think—because I can visualize if they could get the training, other nations could send their officers, get the training here. We would have about 150 nations around the world that would send men in to be trained if it is for free.

Admiral. WALSH. Yes sir.

[The information follows:]

Under certain circumstances the President is permitted to waive reimbursement for indirect costs, administrative surcharges, and costs for billeting of trainees (except to the extent that members of the U.S. Armed Forces occupying comparable accommodations are charged for such accommodations by the U.S.) associated with training of allied personnel. When these charges are waived, the Department of the Navy is required to reimburse the FMS Trust Fund for waived administrative fees with Operation and Maintenance funds. The costs are charged to Program 10, Support to Other Nations. The charging of these costs to Program 10 is consistent with the mission responsibility of Program 10 to support security assistance programs. These costs consist of the 1.5 percent front-load administrative fee plus the 1.5 percent administrative fee of the delivered articles/services value.

Mr. HEFNER. General, there is a potential problem out there. If everything continues to go well—which we hope it will—in Europe and other areas, attrition is not going to keep up with the buildown. If we have to have more recruits and people are not coming in and the recruiting budget gets larger, and we still are not getting them, and we have to up the benefits and pay and these sorts of things, it is going to make it very sticky for us on the committee, to try to explain it to our colleagues, because I am afraid that not a lot of Members of Congress understand what we try to do in the defense area.

So it is a potentially serious problem. We were laughing about it, but it could be a potential problem for all the Services.

I have no further questions.

Mr. McDade.

Mr. MCDADE. No further questions.

Mr. HEFNER. Mr. Sabo.

Mr. SABO. No questions, Mr. Chairman.

Mr. HEFNER. We will have some questions for the record.

We certainly appreciate you being with us.

The committee is adjourned.

[CLERK'S NOTE.—Questions submitted by Mr. Dicks and the answers thereto follow:]

NAVY OPERATING TEMPO

Question. If you were directed to reduce operating tempo by say 10 percent average across the board, what type of options would you consider? What if the reduction was 20 percent? For the

record, please provide what the budget authority and outlay savings would be from reductions of this type for the Navy.

Navy answer. Any reduction in deployed OPTEMPO would have an adverse impact on safety, readiness, and the Navy's ability to meet overseas commitments. Reducing OPTEMPO would result in erosion of perishable warfighting skills, directly affecting safety and combat readiness. Units would not be as prepared to respond to contingency or crisis tasking as they would otherwise be, due to the reduced training time available to maintain proficiency and mission qualifications. Training readiness would be impacted negatively—while deployed forces are not considered "training" fleets, deployed units routinely and continuously conduct training evolutions either by themselves, or in company with other units. These training evolutions are coincident with operations conducted for other purposes, and are within established OPTEMPO goals. Finally, were OPTEMPO reduced, joint underway operations with allied naval forces would likewise have to be reduced or eliminated.

Naval forces operate at different levels of OPTEMPO depending on whether or not the units are deployed. Non-deployed forces are budgeted at an OPTEMPO of 29 days per quarter per ship. The Navy's deployed surface forces are budgeted at an OPTEMPO of 50.5 days per quarter per deployed unit. The Navy would reduce OPTEMPO in the deployed forces only if directed by the operational commanders, who would first have to determine which operational commitments are no longer required or would not be met. A 10 percent reduction in deployed OPTEMPO equates to a reduction of roughly 5 days per quarter per ship, or 20 days per year per deployed ship. A 20 percent reduction in deployed OPTEMPO equates to a reduction of roughly 10 days per quarter per ship, or 40 days per ship, or 40 days per year per deployed ship.

A 10 percent decrease in deployed OPTEMPO would result in ship operating cost savings of $16.8 million. Within the flying hour program, additional savings of $31.1 million would accrue, for a total savings of $47.9 million.

A 20 percent decrease in deployed OPTEMPO would result in ship operating cost savings of $33.7 million. Within the flying hour program, additional savings of $62.4 million would accrue, for a total savings of $96.1 million.

It should be noted that additional support costs for ships utilities are incurred when OPTEMPO is reduced, as more units are inport or steaming at anchor for longer periods of time. Deployed surface units typically are required to remain in a "steaming" status (termed "Steaming Auxiliary") while at anchor or inport due to the lack of compatible utilities connections pierside in foreign ports. The result is that the ship still burns fuel (albeit at a much lower consumption rate), and any savings attributable to reduced OPTEMPO are as a result of the difference in consumption rates for units underway versus units not underway.

[CLERK'S NOTE.—End of questions submitted by Mr. Dicks. Questions submitted for the record and the answers thereto follow:]

ADMINISTRATION AND ASSOCIATED FUNDS

Question. The funds pay for headquarters staffs and for financial and manpower management activities. If civilian personnel funding is significantly reduced, how would this program be affected?

Navy answer. Civilian personnel costs make up the largest portion of this budget activity, approximately 44 percent. About 32 percent of the budget activity pays for supplies, contracts, utilities and other costs in direct support of these personnel. The remainder of the budget activity pays for Navy-wide transfers to the GSA for building maintenance and the Navy postal bill. Any reduction to personnel would have a significant effect on the direct support portion of the budget. The effect on the Navy-wide portion would be minimal.

Marine Corps answer. In FY 1990, the Marine Corps was directed to reduce its Civilian Manpower Program by 924 end strength or 4.3 percent. Consequently, we are streamlining efficiencies at our bases and stations to implement these reductions. In many functional areas we are at "bare bones" and are finding it difficult to meet new and unfunded requirements for civilian personnel such as the Military Child Care Act of 1989. The initial impact of these FY 1991 reductions will become evident at our bases and stations through the degradation of critical support requirements to our Fleet Marine Forces. The increased use of overtime will occur in an attempt to continue to meet requirements with fewer resources. As extended periods of overtime are experienced it is anticipated that the error rate on repairables will also increase. This problem will be further exacerbated by the growth in work backlogs at those activities where backlogs already exist and create work backlogs at other activities where there are none. Ultimately, the impact will be felt in our bases' and stations' ability to plan and execute day-to-day functions.

Question. Are your ADP requirements funded under this program?

Navy answer. The ADP in this budget activity supports some central computer systems for manpower and financial management. Only about 16 percent of the total O&M,N ADP budget, however, is funded here.

Marine Corps answer. Automated Data Processing (ADP) requirements are contained in the following O&MMC budget activities: General Purpose Forces; Central Supply and Maintenance; Training, Medical, and Other General Personnel Activities; and Administration and Associated activities.

BASE OPERATIONS SUPPORT

Question. The funding for base operations support provides services for administration, facility engineering (includes payment of utilities), community support (includes Morale, Welfare & Recreation (MWR) activities) and specific mission support such as supply operations, organizational and intermediate equipment maintenance other than combat equipment, security and communications. These funds are found in most of the major force programs, e.g., general purpose forces.

The Navy is requesting $2.6 billion, an increase of $60 million from 1990; while the Marine Corps' request is $567 million, $40 million more than last year.

Approximately 35 percent of the base operations support budget is for civilian labor.

How much are you requesting for MWR activities? FY 1990 is the first year of reduced appropriated fund support in certain MWR activities. However, we find growth in the MWR budget request. Please explain.

Navy answer. The FY 1991 request includes $35.1 million, an increase of $6.4 million over FY 1990 for MWR activities. $5.3 million is associated with salary conversion of MWR employees from non-appropriated to appropriated funds, per direction by the Congress to cease reimbursement of salaries. The remaining $1.1 million increase is for inflation.

Marine Corps answer. The increased funding requirements of the Military Child Care Act, combined with past budget omissions of authorized support necessitated an increase to the budget request.

The increase in the FY 1990 appropriated funding support of Marine Corps MWR programs is a result of correcting amounts that were omitted from previous OP-34 budget exhibits which were the basis of the FY 1988 and FY 1989 caps. The increased requirements include: $2.9 million in civilian personnel primarily in support of child care; $.7 million in transportation of things to overseas exchanges; $.9 million in utilities for Joint Service Facilities and overseas MWR activities; $.2 million in supplies; $1.2 million in equipment; $10.4 million of indirect maintenance and repair and other expenses; and, $.3 million of minor construction.

SHIP DECOMMISSIONING AND STORAGE COSTS

Question. The Navy decommissions about 20 ships a year. Decommissioned ships are scrapped, stored or sold to foreign governments.

When a ship is stored, the hull is preserved, the ship sealed and the ship is dehumidified to prevent rusting. Nuclear submarines must have the nuclear portion of the ship cut out and buried, the two sections of the hull welded back together again, and the hull moored at Puget Sound in an industrial area. According to Navy officials the cost of deactivating a nuclear submarine is $24 to $30 million and the cost of storing the hull is about $1.2 milion a year.

How many nuclear ships are in storage? How many non-nuclear ships?

Navy answer. In FY 1990 there are 22 nuclear in storage. There are 98 non-nuclear ships and 55 craft.

Question. Given that the cost of decommissioning a nuclear submarine is $24 to $30 million, what is the cost of decommissioning a non-nuclear submarine or a surface ship?

Navy answer. The cost of decommissioning non-nuclear surface ships and submarines varies according to the type/class of vessel and whether it is being inactivated for retention/mobilization, or eventual scrapping/sale/target. Inactivation estimates include modifications for safe stowage, ship dehumidification, cleaning and preservation of tanks and voids, installation of fire and flooding

alarms, etc. Dry-docking provides for preservation of the underwater hull body, external propeller shafts, closure of sea chests, etc. In FY 1990, the costs of decommissioning a non-nuclear submarine is approximately $3.2 million. This represents the average cost associated with the above activities. Non-nuclear surface ships in FY 1990 run from a low of $0.4 million for a DDG inactivation to a high of $24.5 million for equipment removal and scrapping of USS CORAL SEA.

CHAMPUS PROGRAM

Question. CHAMPUS costs have continued to escalate almost 400 percent over the last nine fiscal years. Your FY 1991 request of $880.5 million is less than Congress appropriated for this fiscal year ($883.8 million). Last week, Dr. Mendez (OSD/Health Affairs) informed us that the Department of the Navy is projecting no FY 1990 savings in CHAMPUS and that the FY 1990 CHAMPUS unfunded now projected at almost $700 million rose $126 million because the Navy had overestimated their projected savings.

Why aren't you able to save even one penny in CHAMPUS costs in FY 1990? How did you overestimate your savings?

Navy answer. We continue to believe that the savings are there. We have in fact seen in-house usage increasing showing that we are recapturing workload. However, we are also seeing increases in CHAMPUS, giving the appearance that savings were not accurately estimated.

Several factors combine to create this apparent problem. First, unlike the remainder of the Operation and Maintenance, Navy appropriation, CHAMPUS obligations are recorded only when the bills are received for payment. This can be as long as two years after the cost was actually incurred. Thus, reductions in CHAMPUS incurred costs will be masked by obligations that occurred before the cost savings initiatives began, and the same reductions will have a reporting lag of one to two years.

In addition, while we know there is a correlation between capturing workload in-house and reducing CHAMPUS costs, there is neither a dollar for dollar nor a case for case correlation. We know that a "shadow population" exists—eligible members, retirees, or dependents who will use in-house treatment facilities if available, but would not have used CHAMPUS. We do not have any way of determining the size of this population. The in-house increase thus has two components: workload that would have otherwise been paid by CHAMPUS and workload that otherwise would have been paid by the patient.

Question. Why is your CHAMPUS estimate so low for FY 1991 not even considering this new FY 1990 shortfall?

Navy answer. CHAMPUS savings of $126 million in FY 1990 and $201 million in FY 1991 were projected as a result of contracting initiatives designed to recapture medical workload from CHAMPUS into Navy Medical Treatment Facilities (MTF). Inexperienced with variables associated with the CHAMPUS model resulted in an estimate of FY 1991 savings which failed to adjust for reduced CHAMPUS requirements associated with FY 1990 contracting ini-

tiatives. In effect, this lead to a double counting of savings in FY 1991.

Question. What is your latest FY 1991 CHAMPUS estimate based on this latest information?

Navy answer. Based on the current FY 1990 execution status, I project a FY 1991 CHAMPUS requirement of approximately $1,100 million vice $800 million projected in the budget.

Question. What efforts are you taking to get CHAMPUS costs under control?

Navy answer. Your question basically entails two parts. What has been done to improve our ability to forecast CHAMPUS costs and secondly management improvements. Regarding the budget forecast, we currently do not have an independent capacity to estimate future CHAMPUS cost. We rely on OCHAMPUS forecasts since development of an independent evaluation of data maintained by OCHAMPUS has been difficult. When funding responsibility was passed to the services, little consideration was given to service information requirements. One significant problem we encountered is the fact that OCHAMPUS operates the data base on a date-of-care basis as opposed to the date-of-payment basis needed for budgeting. Since date-of-care is not known until a claim is filed, the short term projection of funding requirements is extremely difficult. OCHAMPUS is now providing data tapes so that we can develop reports which will facilitate improved analysis and help us to better forecast and budget for CHAMPUS costs.

Since the Navy now has financial responsibility for its CHAMPUS costs, we agree that we should manage the program. However, under the present management structure, OCHAMPUS reports to and takes direction from OSD(HA). We do not even have customer relationship with OCHAMPUS. This structure prevents us from fully managing the CHAMPUS program. Until this basic structure is changed, our management effort will have minimal impact. For instance, the CHAMPUS Reform Initiative (CRI) contract was negotiated and signed without Navy participation or advice. Additionally, savings were imposed on the Navy budget based on the assumption that CRI would be less costly. To date, however, no evidence has been provided which supports this assumption. We have seen improvements in cooperation but the Navy cannot, unilaterally, direct OCHAMPUS to modify their program or even influence the CRI contract terms. Until this occurs, we are not managing the programs.

DEPOT MAINTENANCE FUNDING LEVELS

Question. Since fiscal year 1988, this Committee has insisted on maintaining depot maintenance separate from other O&M funds and has "fenced" these funds for only depot maintenance activities. The concern of the Committee is based on reports and reviews which point to the shifting of funds out of depot maintenance and into supply operations, even funds added by Congress to reduce depot maintenance backlogs. The fiscal year 1990 Congressional direction is for the Department to identify depot maintenance funding separately on the Base Reprogramming form, the DD1414. Are you following this Congressional guidance?

Marine Corps answer. Yes.

Navy answer. In compliance with Congressional guidance, depot maintenance funds are identified on the DD FORM 1414.

Question. For the Navy, the Congressionally directed fiscal year 1990 depot maintenance funding level is $5,275,647. Is this the number which appears on the DD 1414? If not, why?

Navy answer. The amount which is identified as depot maintenance funds on the DD Form 1414, is $4,912,598. The difference between the amount identified in the Appropriation Conference Report and the DD Form 1414 is a result of Congressional adjustments to the FY 1990 appropriation, including the Congressional transfer of depot maintenance modification installations to procurement.

Question. For the Marine Corps, the Congressionally directed fiscal year 1990 depot maintenance funding level is $87,197,750. Is this the number which appears on the DD1414? If not, why?

Marine Corps answer. $82,197,750 appears on the DD1414 form. This is because the amount shown in the Conference Report 101-345 was a typographical error for Operation and Maintenance, Marine Corps.

Question. Please provide a "walk" from the fiscal year 1990 budget request for depot maintenance, the depot maintenance level reflected on the DD 1414, the current estimate, and the fiscal year 1991 budget request.

Navy answer. The information is as follows:

Depot Maintenance

[Dollars in thousands]

FY 1990 request	$5,164,565
Congressional Adjustments:	
Enterprise Refuel	−99,300
Backlog	190,000
Repair of Iowa	14,899
Foreign Currency	−9,869
Stock Fund XFER to MC	−91,071
ADP Management	−22,672
Contr/Acct Reimb Funds	−3,242
Interim Contractor Support	−9,473
Modernization of Equip	−219,894
Civilian Manpower	−439
CAAS (General Provision)	−906
Subtotal Congressional Adjustments	−251,967
Depot Maintenance Floor on DD 1414	4,912,598
Other Increases	4,274
Current 1990 Estimate	4,916,872
FY 1991 Budget Request	4,339,800

Marine Corps answer.

FY 1990 Revised President's Budget	$88,092
Congressional adjustments	−10,500
Unit cost/productivity	−1,200
Modernization of equipment	−5,900
Asset Capitalization Program	−3,400
FY 1990 Appropriation	77,582
Congressional adjustment for reporgramming base DD1414	4,616
FY 1990 DD1414 reprogramming base	82,198

Other Increases:	
Pricing Adjustments	−228
Appropriation transfer from Navy Stock Fund to support repair/rebuild of ground support Principal End Items (PEI's) and component support for fielded major equipment. (Reference: Congressional Record—House, H8366 of 13 November 1989, Section: Marine Corps Operation and Maintenance)	20,000
Increase required to support repair/rebuild ground support Principal End Items	2,720
Increase required for component support requirements for fielded major equipment maintenance	508
Other Decreases	−4,616
FY 1990 Current Estimate	100,582
Pricing Adjustments	6,150
Industrial Fund Rates	5,939
Other Price Adjustments	211
Program Increases	3,500
Provides for component support maintenance requirements for the M1A1 tank scheduled to come on line during FY 1990	1,800
Continuation of the functional transfer associated with installation of modification kits	1,700
Program Decreases	−2,200
Annualized congressional asset capitalization reduction	2,200
Other Decreases	−15,538
Decrease in repair/rebuild of ground support Principal End Items. (PEI's) and component support on fielded equipment	15,538
FY 1991 Current Estimate	92,494

Question. One of the reasons that the services have shifted funds from depot maintenance to supply operations is that the supply operations budget requests are often inadequate. Does the fiscal year 1991 budget request include adequate funding for supply operations?

Navy answer. Beginning in FY 1991 the central supply function will be funded by the Department of Navy Stock Fund which will recover costs through an additional surcharge added to stock fund material. In this way, funding to support supply operations will be directly related to the demand for services and will be adequate to support the required function.

Marine Corps answer. The fiscal year 1991 budget request does include adequate funding for supply operations.

"PASSTHROUGH" OF O&M FUNDS TO THE INDUSTRIAL FUND

Question. The report accompanying the Department of Defense Appropriations Act for 1990, stated that moving O&M funds to the Industrial Fund to offset losses in the Fund, is not acceptable. Industrial Fund rates should be adjusted to reflect losses and there should not be O&M bailouts of the Fund. The Congressional direction is that the fiscal year 1991 budget request should not include "passthroughs" from the O&M account into the Industrial Fund. Does the budget include any such passthroughs? If so, why?

Navy answer. Consistent with Congressional direction, the O&M, Navy request for fiscal year 1991 does not include any funds for "passthroughs" to the industrial fund.

Marine Corps answer. The FY 1991 Marine Corps budget does not include passthroughs.

Question. What was the September 30, 1989 cash balance of the Industrial Fund and what is the projected cash balance at the end of fiscal year 1990?

Navy answer. The Navy Industrial Fund (NIF) cash balance on 30 September 1989 was $430.3 million. The projected cash balance for the end of FY 1990, as reflected in the FY 1991 President's Budget, is $156.8 million.

Marine Corps answer. The cash balance for September 30, 1989 is $24,459,000 and the projected cash balance for the end of fiscal year 1990 is $26,059,000.

COMMISSARY OPERATIONS—NAVY/MARINE CORPS

Question. We have worked hard to provide our military people the best possible quality lifestyle over the last few years in order to retain our folks. One benefit that we have provided the troops are adequately stocked commissaries. How many stores are opened on a 24-hour, seven-day a week basis? In these financially constrained times, have you or will you propose opening more stores for the 24-hour, seven-day a week basis? If you are considering this, do you feel the cost justifies the added benefit to our active duty and retired military communities.

Navy answer. The Navy currently does not have any 24-hour, seven-day a week stores and is not planning to open any in the future.

Marine Corps answer. The Marine Corps Commissary System has no stores that are open 24 hours per day. The Marine Corps operates two stores, Cherry Point, NC and Kaneohe Bay, HI, on a seven-day a week schedule.

Due to limited resources, the Marine Corps does not foresee any increase to commissary operating hours in the near future. At this time, any increases to store service levels can only be accomplished through the offsetting reduction of services elsewhere within the commissary system.

First and foremost, we do not feel that additional operating hours are an "added benefit". Currently, no Marine Corps commissaries are sufficiently funded and staffed to provide the level of service to which military personnel are entitled. We do not believe, however, that a commissary should have to be open 24 hours per day. In order to adequately provide for the service members' basic entitlement, a commissary needs to operate a minimum of 6 days/68 hours per week. Store operating hours for the Marine Corps average only 47 hours per week.

Question. Please provide us a list of your commissaries by location and let us know how long each is open now and what is proposed for FY 1991.

Navy answer. The number of operating hours and days per week supported in the budget request for each Navy commissary store is as follows:

Store Location	FY 1990 Hours per Week	FY 1990 Days per Week	FY 1991 Hours per Week	FY 1991 Days per Week
Mitchell Field, New York	40.0	5	40.5	5
Newport, Rhode Island	46.0	5	46.5	5
New London, Connecticut	48.0	6	40.0	5
Scotia, New York	38.5	5	38.5	5
Brunswick, Maine	49.0	6	41.0	5
Cutler, Maine	35.0	5	35.0	5
Winter Harbor, Maine	38.0	5	38.0	5
Rooseveldt Rhodes, Puerto Rico	41.0	5	41.0	5
Kings Bay, Georgia	41.0	5	41.0	5
Jacksonville, Florida	60.5	7	53.5	6
Cecil Field, Florida	43.0	5	43.0	5
Key West, Florida	35.5	5	35.5	5
Mayport, Florida	49.0	6	42.0	5
Orlando, Florida	39.0	5	39.0	5
Charleston, South Carolina	40.0	5	40.0	5
Athens, Georgia	39.0	5	39.0	5
NWS Charleston, South Carolina	57.0	7	49.0	6
Norfolk, Virginia	75.0	7	67.0	6
Little Creek, Virginia	47.0	6	39.0	5
Oceana, Virgina	47.0	6	39.0	5
Portsmouth, Virginia	48.0	6	48.0	6
Yorktown,Virginia	32.5	5	32.5	5
Skaggs Island, California	27.5	5	27.5	5
Alameda, California	72.0	7	54.0	7
Fallon, Nevada	38.0	5	38.0	5
Hamilton, California	41.5	5	41.5	5
Lemoore, California	39.0	5	39.0	5
Mare Island, California	42.0	5	42.0	5
Moffet Field, California	63.0	7	55.0	6
Stockton, California	35.0	5	35.0	5
Treasure Is, San Francisco, CA	40.0	5	40.0	5
Patuxent River, Maryland	40.0	5	40.0	5
Annapolis, Maryland	43.0	5	43.0	5
Dahlgren, Virginia	34.0	5	34.0	5

Store Location	FY 1990 Hours per Week	FY 1990 Days per Week	FY 1991 Hours per Week	FY 1991 Days per Week
Philadelphia, Pennsylvania	40.0	5	40.0	5
Lakehurst, New Jersey	35.0	5	35.0	5
Great Lakes, Illinois	48.0	6	41.0	5
Crane, Indiana	38.0	5	38.0	5
Pearl Harbor, Hawaii	70.0	7	60.0	6
Barbers Point, Hawaii	49.0	5	49.0	5
Corpus Christi, Texas	41.5	5	41.5	5
Beeville, Texas	40.0	5	40.0	5
Kingsville, Texas	41.0	5	41.0	5
Pensacola, Florida	56.0	7	49.0	6
Gulfport, Mississippi	40.0	5	40.0	5
Meridian, Mississippi	39.0	5	39.0	5
New Orleans, Louisiana	42.0	5	42.0	5
Whiting Field, Florida	39.0	5	39.0	5
Memphis, Tennessee	47.0	6	47.0	6
NTC, San Diego, CAlifornia	42.0	5	42.0	5
Imperial Beach, California	59.0	7	51.0	6
San Diego, California	59.0	7	51.0	6
El Centro, California	37.0	6	37.0	6
Miramar, California	61.0	7	53.0	6
North Island, California	42.0	5	42.0	5
Long Beach, California	54.0	7	46.0	6
China Lake, California	39.0	5	39.0	5
Point Mugu, California	40.0	5	40.0	5
Port Hueneme, California	44.0	5	44.0	5
Bangor, Washington	44.0	6	44.0	6
Seattle, Washington	43.0	5	43.0	5
Adak, Alaska	40.5	6	40.5	6
Bremerton, Washington	40.0	5	40.0	5
Widby Island, Washington	41.0	6	41.0	6
Argentia, Newfoundland, Canada	33.0	5	33.0	5
Bermuda	33.5	5	33.5	5
Exmouth, Australia	35.0	6	35.0	6
Guam	51.5	6	51.5	6
Guantanamo Bay, Cuba	69.0	7	69.0	7
Keflavik, Iceland	37.0	5	37.0	5
Naples, Italy	45.0	6	45.0	6
La Maddalena, Italy	38.0	5	38.0	5
Sigonella, Italy	40.0	5	40.0	5
Rota, Spain	39.0	5	39.0	5
Subic Bay, Philippines	47.0	6	47.0	6
San Miguel, Philippines	38.0	6	38.0	6
Holy Loch, Scotland	41.0	6	41.0	6
Edzell, Scotland	38.0	5	38.0	5
Chinhae, Korea	41.5	5	41.5	5
Yokosuka, Japan	47.0	6	47.0	6
Atsugi, Japan	46.0	6	46.0	6
Sasebo, Japan	43.5	6	43.5	6

Marine Corps answer. Given the budgetary forecasts for FY 1991, no changes to operating hours are anticipated. A current listing of Marine Corps commissaries and their operating hours is as follows:

Commissaries:	*Operating hours (days/hours)*
Quantico, VA	6/48
Camp Lejeune (Hadnot Point), NC	6/45
Camp Lejeune (Tarawa Terrace), NC	6/52
New River, NC	5/43
Cherry Point, NC	7/61
Parris Island, SC	6/49
Albany, GA	5/41
El Toro, CA	5/48
Camp Pendleton, CA	6/48
Camp Pendleton (San Onofre), CA	5/39
Barstow, CA	5/40
Twentynine Palms, CA	5/41.5
Yuma, AZ	5/40
Kaneohe Bay, HI	7/66
Iwakuni, Japan	5/39

SUBSISTENCE IN KIND (SIK)

Question. Subsistence in kind is an entitlement provided to all active duty enlisted personnel who do not receive a basic allowance for subsistence (BAS). In essence, it is their food ratio and very important to our enlisted troops. For FY 1991, the Department of Defense has proposed transferring the appropriation that SIK is paid out of from Military Personnel to Operation and Maintenance. The decision was made because DOD believes that SIK is an operations cost to support military personnel permanently assigned at base level.

Do you agree with this new decision to transfer the SIK payment from Military Personnel to Operation and Maintenance? Why do you believe this decision was made?

Navy answer. Although there is a reduction in the outlay rate by transferring subsistence-in-kind (SIK) from the Military Personnel appropriations to the Operation and Maintenance appropriations, the rationale was to transfer similar functions into the same appropriations. In the case of SIK, the commodity is food and it was transferred to a program that also purchases food.

Marine Corps answer. The decision to transfer SIK to the O&M appropriations was directed by the Office of the Secretary of Defense, and, as such, is supported as an element of the President's Budget. The transfer was directed based on the belief that SIK is more appropriately an operating expense.

Question. During the year, a member's entitlement may change from basic allowance for subsistence to SIK and back. This will mean transfers between appropriations. Do you believe that this decision will complicate an already overburdened accounting system by forcing the service to monitor this entitlement which could result in some members not receiving their correct entitlement?

Navy answer. Substistence-in-Kind (SIK) and Basic Allowance for Subsistence (BAS) go hand in hand. It is not a program that fluctuates significantly. We envision no significant problems in ac-

counting or monitoring this entitlement. It is a priority and the program will be protected.

Marine Corps answer. The decision to finance SIK through the O&M appropriations, vice through MPMC, should not affect any individual Marines' receipt of authorized BAS entitlement. The change in funding appropriation will require a formal accounting transaction whenever pay record checkages are run for rations consumed, thus creating a time consuming administrative load and complicating management procedures.

Question. If SIK is now classified as an operation cost, are you considering classifying other areas as operations costs? Clothing? PCS travel? Basic allowance for subsistence?

Navy answer. The Department continuously reviews programs to ensure they are funded in the most appropriate account. However, I am not aware of any current plans to reclassify these areas as operations costs.

Marine Corps answer. The Marine Corps is not aware of any current DOD plans to classify other military personnel elements as operations costs.

[CLERK'S NOTE.—End of questions submitted for the record.]

THURSDAY, MARCH 22, 1990.

DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES

WITNESS

STEPHEN M. DUNCAN, ASSISTANT SECRETARY OF DEFENSE FOR RESERVE AFFAIRS

INTRODUCTION

Mr. MURTHA. The Committee will come to order. This morning, we will hear testimony from the Honorable Stephen M. Duncan, Assistant Secretary of Defense (Reserve Affairs) in his capacity as the Department of Defense Coordinator for Drug Enforcement Policy and Support.

While your statement is very comprehensive, Mr. Duncan, and addresses the many inputs from the Department in the drug interdiction program, the Committee is concerned that some of these ideas are not achievable nor affordable, especially as Defense's budget decreases in future years.

In looking through your statement, Mr. Secretary, I am impressed by an awful lot of hardware, the diversity of your mission, and the amount of responsibility that you have. As you know, the Government proposes to spend about $10 billion for the overall drug effort, and the DOD, from what we have identified, proposes to spend $1.2 billion. We appreciate the responsibility that you have.

With every poll that I have taken and many of the national polls I have looked at, the drug problem was the most important in the minds of people nationwide, cities, rural areas, every place. It has affected them, their families, and they have great concern about it, and they have mixed feelings about whether we are doing enough.

Of course, throwing money at it doesn't necessarily mean success. I know you wear two hats, Reserve Affairs, which in itself is a major responsibility, and your division is the lead agency for the government. DOD supports intelligence gathering, and we have done a comprehensive S&I study. I don't know whether you have had an opportunity to look at it yet, but we sent people into the field and to give you some idea of the quality of the people, we have a former Inspector General of the CIA, a number of former high level officials of the FBI, and a three star general of the Air Force. It is a very talented group who have been looking into all the effort that we have made on drugs. We received a briefing by these people, and then we asked questions of a number of the agencies about what they were doing.

The reason that we reviewed agencies other than the Defense Department is because obviously there is a large amount of money going to them, in addition to what the DOD is spending, for the drug effort. So there is no question in our minds that the Defense

Department can play an important role and that they understand the importance of it. I know, in talking to you, you certainly understand the importance of it and have put a vigorous effort into it.

I can remember the day when the Secretary of the Navy didn't think there was a drug problem. A couple of weeks later we had the incident on the *Nimitz* and he recognized it and he went to work, as did all the Services. They didn't eliminate it, but they reduced the drug problem substantially with testing, and with the emphasis on education and leadership. I think the drug problem is probably less in the military than it is any place else. I appreciate very much what the military has done inside the military.

We will be glad to hear your opening statement. We will put the complete statement in the record. If you will summarize your statement, Mr. Secretary.

SUMMARY STATEMENT OF MR. DUNCAN

Mr. DUNCAN. Thank you, Mr. Chairman.

Because the statement that I submitted for the record is so comprehensive, I will not go through and summarize it. But I think it would be helpful and with your permission, I would like to go through and summarize what has happened within the last year with respect to the DOD involvement in the fight against drugs. I do have a concern about an analysis of the budget numbers alone and out of context. I don't want any misimpression to be left that we are proposing to support the President's drug strategy or to fulfill our statutory missions by throwing out dollars to buy gadgets.

FISCAL YEAR 1989 LEGISLATION

I would like to quickly refresh your memory about our progress to date. We had the three statutory missions that were given to us by the Congress in fiscal year 1989, i.e., the lead role for the detection and monitoring of all aerial and maritime transit of illegal drugs. The statute did not define "lead agency," but we have had a common sense understanding of what the term means.

The statute provided for use of the National Guard and proposed $40 million for that mission.

The fiscal year 1989 legislation also directed the Department to integrate the command, control and communications systems of the entire Federal Government that are dedicated to drug interdiction into an effective communications network. Translated, we understood that to mean that we should make sure that there are interoperable, secure ways for law enforcement agencies to communicate with military units, et cetera.

We assumed that responsibility in fiscal year 1989. In early 1989, of course, the new Administration assumed office. One of the major decisions that Secretary Carlucci made before he left office was that we would implement the three congressionally mandated missions not by creating a special command, but rather as we would any wartime mission, i.e., through the commanders-in-chiefs and the joint staff.

ORGANIZATION

We assigned the new missions to the Commander in Chief Atlantic and the Commander in Chief Pacific who in turn created Joint Task Force 4 in Key West, and Joint Task Force 5 in California. That is where we are organizationally in calendar 1990 with respect to the detection and monitoring missions.

The use of the State Guard is a very simple assignment on the face of it. However, we suddenly had plans proposed by 54 separate territorial and state governors. The costing methodology used by the States often varied. We had to screen for all kinds of things like operational feasibility, etc. We did much of that through the end of fiscal year 1989. We did have a process in place to evaluate the National Guard plans, and we were on the way to getting a good start on the master plan for the C3I mission and the detection and monitoring missions.

NATIONAL DRUG CONTROL STRATEGY

That brought us to about the middle of calendar 1989. I think it is important to understand what happened in July of 1989. Secretary Cheney directed me to assist in the preparation of the President's National Drug Control Strategy by preparing, in coordination with the Chairman of the Joint Chiefs of Staff, and the Under Secretary of Defense for Policy, a preliminary plan for the Department's contribution to execution of the strategy. This work was in addition to the three statutory missions which had been given to us by the Congress. At the Secretary's specific request, the plan which I submitted provided for substantial and effective expansion of the Department's role in the federal antidrug effort and it addressed all actions that we might possibly take. The Secretary wanted a smorgasbord menu of possible actions that we might take to assist in the fight against drugs. On September 5, 1989, the President announced the National Drug Control Strategy. Thirteen days later, Secretary Cheney issued broad new guidance to the DOD, which was designed to assist in the swift implementation of the strategy.

I think the significant point for the committee to know is that the Secretary stated at that time that the DOD has a crucial role—his words—in defending the United States against the scourge of illegal drugs and the threat of illegal drugs is a direct threat to our national security. He defined the detection and countering of the production, trafficking and use of illegal drugs as a high priority national security mission of the DOD.

MISSIONS OF THE CINCS

On September 18, 1989, the Secretary issued guidance to the various Commanders-in-Chief and effectively told the CINCs to submit plans for their respective areas of responsibility on how they might implement the President's strategy. The CINCs continued to perform the three missions given to the Department by the Congress. He directed the CINCs to submit their plans later in the fall.

On November 15 we announced the establishment of Joint Task Force 6 at Fort Bliss. On January 25, the President announced the drug strategy for 1990. We started working on the DOD counternarcotics budget. On February 15 the Cartagena summit took

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place. On March 9 I briefed certain members of the House in the morning, certain members of the Senate in the afternoon, and we had a news conference at noon to announce the implementation of the plans proposed by the various CINCs pursuant to the Secretary's guidance. All of the announced plans had been approved by the Secretary. Those are now being implemented. That brings us up to where we are today.

CENTRALIZED ACCOUNT

Significant additional developments have occurred in the last few weeks. The Secretary has approved the consolidation of all of the various antidrug programs and activities in the department into a centralized account. That was partly because we think it is good management, but it was partly because Congress last year, in my opinion, reasonably criticized us for not identifying how we proposed to spend defense dollars on particular programs. We have tried to give as much detail as we can to identify for the Congress how we propose to fight the fight on drugs, how we will implement the three statutory missions, and how we will pay the costs of the CINCs plans over and above the statutory missions.

We have laid out our programs and budget as best as we can. This is the first time that we have submitted a centralized budgeting account for the DOD counterdrug activities. I anticipate that it is likely to improve as we gain more experience. We are halfway through the process.

Mr. Chairman, I am happy to respond to any questions on the budget or anything else, but I thought perhaps the chronology would be a welcome introduction. I welcome your questions.

Mr. MURTHA. Thank you very much, Mr. Secretary.

[The statement of Mr. Duncan follows:]

PREPARED STATEMENT OF
THE DEPARTMENT OF DEFENSE
COORDINATOR FOR DRUG ENFORCEMENT POLICY
AND SUPPORT

HONORABLE STEPHEN M. DUNCAN

HEARING BEFORE THE SUBCOMMITTEE ON DEFENSE
HOUSE APPROPRIATIONS COMMITTEE

MARCH 22, 1990

NOT FOR PUBLICATION
UNTIL RELEASED BY THE
SUBCOMMITTEE

ASSISTANT SECRETARY OF DEFENSE FOR RESERVE AFFAIRS

STEPHEN M. DUNCAN

Stephen M. Duncan was nominated by President Reagan to be Assistant Secretary of Defense for Reserve Affairs on August 7, 1987, and was confirmed by the United States Senate on October 23, 1987. He was reappointed to that office by President Bush on June 20, 1989.

Mr. Duncan serves as the principal staff assistant and advisor to the Secretary of Defense on all matters involving the 1.68 million members of the Reserve components of the U.S. Armed Forces, including the Army National Guard, Air National Guard, Army Reserve, Air Force Reserve, Naval Reserve, Marine Corps Reserve, and Coast Guard Reserve. He also serves as the principal assistant and advisor for all policies and programs of the Department of Defense in support of the President's crusade against illegal drugs. For his service as Assistant Secretary, he has received the Department of Defense Medal for Distinguished Public Service.

Mr. Duncan was born in Oklahoma City, Oklahoma, on March 28, 1941. He graduated from the U.S. Naval Academy in 1963, receiving his Bachelor of Science Degree and a commission as Ensign, U.S. Navy.

He served as a deck and watch officer aboard U.S.S. ESTES (AGC-12), an amphibious flagship which directed amphibious landings near Chu Lai, Vietnam in the Spring of 1965. He subsequently served as the Weapons Officer aboard U.S.S. CARRONADE (IFS-1), the flagship of a division of four rocket ships which provided close-in gunfire support to ground forces in Vietnam. His combat decorations include the Navy Commendation Medal (with Combat "V"), the Combat Action Ribbon, the Republic of Vietnam Cross of Gallantry (Bronze Star), the Navy Unit Commendation and various other unit citations and campaign medals related to his service in Vietnam.

In 1967, Mr. Duncan was appointed Assistant Professor of Naval Science at Dartmouth College, where he taught Naval Engineering and Naval History. He received his Master of Arts Degree in American Government from Dartmouth College in 1969.

Mr. Duncan transferred to the U.S. Naval Reserve in 1969. At the time of his first appointment in 1987, he held the rank of Captain, U.S. Naval Reserve. He is a recipient of the Armed Forces Reserve Medal.

Assistant Secretary Duncan attended the University of Colorado School of Law and received his Doctor of Jurisprudence Degree in 1971. He served as Assistant U.S. Attorney in 1972-73. From 1973 to 1987 he was engaged in the private practice of law in Denver, Colorado, most recently as a partner in the Denver firm of Hopper, Kanouff, Smith, Peryam, Terry and Duncan. His practice was concentrated in the trial and appeal of complex commercial disputes in both federal and state courts.

Mr. Duncan is a member of the Bar of the U.S. Supreme Court, the State of Colorado, the U.S. Court of Military Appeals and other federal courts. He is a member of the faculty of the Trial Advocacy Institute at the University of Virginia School of Law and in 1982 he was elected a Fellow of the International Society of Barristers. He has published articles in various professional journals. He has served as an elected member of the Board of Governors of the Colorado Bar Association, the Board of Trustees of the Denver Bar Association, and of other bar organizations.

Assistant Secretary Duncan is married to the former Luella Rinehart of Santa Monica, California. They have two daughters. Kelly is a Midshipman First Class at the U.S. Naval Academy. Paige is a senior in high school.

July 1989

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to appear before you today to discuss both the initiatives which have been taken by the Department of Defense in the implementation of the President's National Drug Control Strategy and the performance of the counternarcotics missions which have been assigned to the Department by legislation.

The Nation's fight against illegal drugs has been the focus of substantial attention and effort by the Department in recent months. Much has been accomplished. Substantial resources have been allocated and are being requested to facilitate a continuous improvement in performance. Aggressive and energetic leadership within the Armed Forces is contributing greatly to the progress that has been made. Much, however, has yet to be done.

I have included in this prepared statement a comprehensive description of the counternarcotics activities of the Department of Defense (DoD) since the summer of 1989. Before I address those activities, however, permit me to briefly explain how the Secretary of Defense has organized the Department for the development and implementation of our Counternarcotics Program.

Responsibilities of the DoD Coordinator for Drug Enforcement Policy and Support

Although I am simultaneously serving as the Assistant Secretary of Defense for Reserve Affairs, I am appearing here today in my capacity as the Department of Defense Coordinator for Drug

Enforcement Policy and Support. I have been serving as the DoD Coordinator since April 22, 1989.

My responsibilities as Coordinator do not preempt the existing responsibilities of the other principals within the Office of the Secretary of Defense in the formulation of policy for anti-drug programs other than drug enforcement support programs, nor do they affect the normal chain of command for military missions conducted in support of anti-drug law enforcement efforts. I do, however, serve as the principal staff assistant and advisor to the Secretary of Defense for drug control policy, priorities, systems, resources and programs. I have been specifically charged by Secretary Cheney with the responsibility to make recommendations and to issue guidance on the DoD drug control plans and programs.

The responsibilities of the Coordinator require close cooperation with other OSD principals. In the case of international issues in the Andean region, for example, I work closely with the Under Secretary of Defense for Policy, the Assistant Secretary of Defense for International Security Affairs, and the Assistant Secretary of Defense for Special Operations/Low Intensity Conflict. I also work closely with the Chairman of the Joint Chiefs of Staffs and the Joint Staff on support operations, equipment and training requirements.

As Coordinator, I have two Deputy Assistant Secretaries of Defense who report to me directly. The Deputy Assistant Secre-

tary for Drug Enforcement Policy is a civilian. The Deputy Assistant Secretary for Drug Enforcement Plans and Support is a Major General in the United States Army. They are supported by a staff of civilian and military personnel. Recently, and even as the Secretary of Defense was imposing a hiring freeze on the DoD and ordering a reduction in the size of the Office of the Secretary of Defense, i.e., the support staff for the Pentagon's civilian leadership, I was authorized to increase the size of the Office of the Coordinator to a total of 36. This fact alone speaks eloquently about the priority that has been given by Secretary of Defense Dick Cheney to the Department's counternarcotics missions.

The Counternarcotics Missions of the Department of Defense

Title XI of the FY 1989 National Defense Authorization Act gave the Defense Department significant new responsibilities. First, the Department was directed to serve as the "single lead agency of the Federal Government for the detection and monitoring of aerial and maritime transit of illegal drugs into the United States." Second, the legislation required that the Secretary of Defense integrate into an "effective communications network," the "command, control, communications, and technical intelligence assets of the United States that are dedicated to the interdiction of illegal drugs." Finally, the Act provided for an enhanced role for the National Guard, under the direction of State

Governors, to support State drug interdiction and law enforcement operations.

On September 5, 1989, the President issued the first phase of the National Drug Control Strategy. The Strategy emphasizes a multinational and multi-agency approach to the reduction of both the supply of, and the demand for illegal drugs. On September 18, 1989, Secretary Cheney issued broad, new guidance to the Department of Defense which was designed to assist in the swift and effective implementation of the President's Strategy within the Department. Stating that international trafficking in drugs is a national security problem for the United States, that the DoD has a "crucial role" in defending the United States from the scourge of illegal drugs, and that it will employ the resources at its command to accomplish that mission effectively, the Secretary designated the detection and countering of the production, trafficking, and use of illegal drugs as a "high priority national security mission of the Department of Defense." He simultaneously informed all of the Commanders-in-Chief (CINCs) of the Unified and Specified Commands of the elevated priority of the Department's counternarcotics missions and he directed certain of those commanders to prepare specific plans for the implementation of the counternarcotics missions in their respective areas of responsibility.

A description of the progress that is being made in the performance of each of these missions is set forth below.

Detection and Monitoring the Transit of Illegal Drugs

Last year, I informed the Congress that shortly after the Department of Defense had been designated as the lead agency for the detection and monitoring mission, the Secretary of Defense assigned to the Chairman of the Joint Chiefs of Staff the responsibility for defining the organizational responsibilities and developing the necessary plans to implement the mission. In December 1988, the regional execution of this mission was ordered through the Chairman of the Joint Chiefs of Staff who directed the CINCs of the U.S. Atlantic Command (USCINCLANT), the Pacific Command (USCINCPAC), the North American Air Defense Command (CINCNORAD), and the Southern Command (USCINCSO) to be responsible for DoD's counternarcotics operations within their respective functional or geographical areas of responsibility. The command and control organizations of the CINCs have been simple and direct since that time. Two joint task forces were created and have been dedicated to the anti-drug detection and monitoring missions. The Commander of Joint Task Force 4 in Key West, Florida is a Coast Guard Vice Admiral who reports to USCINCLANT. The Commander of Joint Task Force 5 in Alameda, California is a Coast Guard Rear Admiral who reports to USCINCPAC.

All four CINCs gather and process multi-source tactical intelligence information, make use of data which is available from limited fixed surveillance assets, and coordinate or direct the efficient and effective application of mobile tactical surveill-

ance assets to fill in gaps of radar coverage, conduct surge operations, and extend radar surveillance. Each regional commander has established a regional intelligence apparatus to obtain real-time, tactical information on drug trafficking within their areas of responsibility so that it can be shared with other Federal agencies.

Expanded Operations of the Commanders-in-Chief of Certain Unified and Specified Commands

As a result of the September 18, 1989, directive of the Secretary of Defense, the Commanders-in-Chief of certain of the Unified and Specified Commands have developed an additional set of tightly drawn plans to expand the Department's role in implementating the President's National Drug Control Strategy. The plans were approved by the Secretary and on March 9, 1990, I briefed staff representatives of both the House and Senate on the details of the plans. On the same day, I made a public announcement of the implementation of the plans.

The North American Aerospace Defense Command (NORAD), which is charged with the defense of the air sovereignty of the North American continent, has expanded its mission to include the new detection and monitoring responsibilities of the DoD. CINCNORAD will employ a network of 44 ground radars which are designed to warn of high altitude penetrations of U.S. airspace. Coverage of low-flying aircraft will be accomplished with the use of 16 land-

based aerostats (tethered balloons with radar) which, when in place in FY 1992, will form a detection "fence" along the Southern U.S. border. CINCNORAD will deploy mobile ground radars in strategic areas to help close known gaps.

CINCNORAD also plans to strengthen the patrol of the Southern border and coasts by calling on E-3 AWACS aircraft. Over 40 percent of the worldwide AWACS flying hours will be dedicated to the DoD counternarcotics missions. CINCNORAD can also call on any number of its 50 interceptor alert aircraft, which are positioned at 25 locations across the United States. These aircraft can assist the U.S. Customs Service and U.S. Coast Guard with tracking missions when required.

The Forces Command (FORSCOM), headquartered at Fort McPherson, Georgia, has been given responsibility for coordination of all DoD operational support to counternarcotics activities on the ground in the continental United States, particularly along the Southwest border. CINCFOR will use Army, Marine Corps, and Air Force elements in the operations and will ensure unity of effort at the state level by coordinating with the National Guard. CINCFOR will offer a wide range of training and support to Federal, state and local law enforcement agencies. Training and assistance will be provided in such areas as intelligence analysis, transportation of law enforcement agents, detection and monitoring, use of ground sensors, photo reconnaissance, and engineering support activities such as construction of observ-

ation posts, brush clearing, road improvement, and firing range improvement.

On November 13, 1989, the Secretary of Defense announced the activation of a third anti-drug Joint Task Force, JTF-6 at Fort Bliss, El Paso, Texas. Joint Task Force-6 will serve as a planning and coordinating headquarters to provide counternarcotics support from the DoD to Federal, state and local law enforcement agencies along the Southern border. While the initial focus of FORSCOM's effort will be on the Southwest border, planning and coordination will begin among other Army headquarters and with regional law enforcement agencies. The various Army headquarters will work with law enforcement agencies to determine their specific operational support requirements and will then establish procedures to follow the requests for support through proper channels for approval.

The USCINCLANT has developed a plan to detect and monitor the flow of drugs in international waters and airspace prior to the entry of drugs into U.S. territory. The Atlantic Command has conducted counternarcotics operations for several years in the Atlantic and Caribbean and it will continue to use four or five Naval ships at any given time expressly for that purpose. It will also significantly increase its employment of E-3 AWACS flights to extend radar coverage in the Caribbean. U.S. Navy and Coast Guard forces have been jointly operating in the Caribbean

since 1981. These patrols continue today, as the largest joint Navy-Coast Guard operation since the Vietnam Conflict.

The Atlantic Command and the Pacific Command each continue to use, in addition to E-3 aircraft, more than eight other classes of aircraft and six classes of ships for counternarcotics operations. The aircraft include E-2 Hawkeyes, P-3 Orions, Seahawks, Sea Sprites, Broncos, Vikings, F-4 Phantoms and F-14 Tomcats. The ships include destroyers, frigates, aircraft carriers, patrol hydrofoils, and a variety of amphibious and logistic support ships.

Due to the size of the Pacific Ocean and the number of vessels which cross it routinely, much of the effort of the USCINCPAC will be in the areas of intelligence cueing and data collection for the sorting of drug trafficking vessels. Accordingly, the Pacific Command has diverted significant intelligence manpower to fully dedicated counternarcotics functions. For FY 1990, dedicated counternarcotics ship days are expected to increase by 146 percent over FY 1989. It is further expected that military aircraft will fly over 2,600 dedicated counternarcotics hours in the Pacific during FY 1990, an increase of 24 percent.

The Pacific Command will also use military dog teams when requested to assist law enforcement agencies at air and sea ports of entry. The dog teams will be used to search aircraft, vessels, air and sea cargo containers and air parcel cargo, but they will not be used for the detection of drugs on people. USCINCPAC

is also focusing on marijuana eradication within the State of Hawaii. Active duty military personnel and National Guard troops will be used for eradication efforts on federal land within Hawaii and, if requested, on state property if there will be no direct participation of DoD personnel in searches, seizures or arrests during the eradication efforts.

The U.S. Southern Command (SOUTHCOM) has developed a plan that emphasizes the support and development of host country capabilities. USCINCSO will provide training and operational support, material, advice, and technological and maintenance support to the counternarcotics organizations of cooperating nations.

Cocaine and the precursor chemicals which are required to process cocaine are frequently carried on the vast river networks of South America. A combination of Navy, Marine Corps and Coast Guard trainers and advisors, as requested, will develop the capabilities of host nations to patrol, identify and intercept precursor chemicals and cocaine shipments. U.S. military personnel will not be used in actual operations, either with host nation forces or independently.

To improve the capabilities of U.S. law enforcement agencies to detect and monitor drug traffickers, the Southern Command will partially rely upon a Caribbean Basin Radar Network that consists of a series of early warning radars, some of which are already in place and operational. The radar sites are planned at selected sites in South America, Central America and the Caribbean. Re-

gional operations centers are located in Key West, Florida, and the Republic of Panama. USCINCSO will use data collected from radars and from deployed air and sea surveillance platforms. E-3 AWACS aircraft will be deployed to establish a data base of radar information and to react to individual suspect tracks. This information will be shared with the Atlantic Command and with other nations in an effort to track suspected ships and aircraft. The information will also be given to law enforcement authorities so that appropriate searches, seizures, and arrests can be made.

Interagency Coordination of Interdiction Operations

One of the more challenging aspects of the new counternarcotics responsibilities of the DoD has involved our efforts to coordinate our own missions and responsibilities with the counternarcotics responsibilities of Federal, state and local law enforcement agencies. The coordination of interdiction efforts has been particularly challenging.

As a general proposition, "interdiction" involves several phases, including: detection, sorting (of probable drug trafficers from all other aircraft or surface vessels that have been detected); interception (directing ships or aircraft to the target for identification); tracking and monitoring (following a target until it can be "handed off" to a law enforcement agency); and apprehension, search, seizure, and arrest by a law enforcement agency. Often these phases overlap. Interdiction can take

place in the air, at sea, or on land. Thus, interdiction is a multi-phase, multi-environment, and multi-agency activity in which the DoD has significant responsibilities generally, and, as I have noted, specific responsibility as the "lead Federal agency" for the detection and monitoring of the aerial and maritime transit of illegal drugs across our borders.

Considerable progress has been made in recent months in resolving routine coordination problems at both the tactical or operational level and at the policy level. As the departments and agencies gain experience in their joint operational efforts, problems of coordination should continue to decrease.

A new Border Interdiction Committee (BIC) will serve as a forum to facilitate interagency policy coordination. The BIC will be chaired by the Commissioner of Customs (with oversight by the Department of Treasury). The Commandant of the Coast Guard and my Deputy Assistant Secretary of Defense for Drug Enforcement Plans and Support will serve as principal deputies. The BIC will function as a subcommittee of the Office of National Drug Control Policy's Supply Reduction Working Group and will include representation from the Department of State (Bureau of International Narcotics Matters), the Department of Justice (Criminal Division, FBI; Drug Enforcement Administration; and Immigration and Naturalization Service), the Federal Aviation Administration, and the National Security Council staff.

The operational aspects of interdiction are coordinated within the DoD through the Chairman of the Joint Chiefs of Staff and the five Unified and Specified Commanders-in-Chief who have direct or supporting missions in interdiction activities, i.e., USCINCSOUTH, CINCNORAD, USCINCLANT, USCINCPAC, and CINCFOR. Each of the three joint task forces is responsible for coordination with drug law enforcement agencies either directly, or through organizations such as Operation Alliance (an interagency law enforcement effort designed to halt the flow of illegal drugs, firearms, and other contraband across the United States-Mexico border).

Enhanced Use of the National Guard

The FY 1989 Defense Authorization Act authorized the Secretary of Defense to provide a total of $40 million to the Governors of States who submitted proposed plans to the Secretary "specifying how personnel of the National Guard. . . are to be used (in their "state" or Title 32 status) in drug enforcement and interdiction operations." Fifty-four separate state and territorial plans were submitted to the DoD for review and approval during FY 1989. Each proposed plan was reviewed by National Guard Bureau and by the Departments of the Army and Air Force to ensure that they were operationally feasible and that the costing methodology employed by the states was uniform. My office and the other agencies within the Office of the Secretary

of Defense reviewed the plans to ensure that each proposed use of National Guard personnel was consistent with the law and with DoD policies. The Attorney General was also consulted regarding the adequacy of each plan as required by law.

Most of the plans were developed by the states on the basis of requests for support from various law enforcement agencies, including Federal and state law enforcement agencies, sheriff's departments, and local police departments. Guidance which was provided to the states emphasized: the role of the National Guard as one of support; the safety of personnel and equipment; operational security; the importance of satisfactory media relationships; the importance to the success of each operation of the sharing of information among participating agencies; and the need to monitor and track operations and funding through established reporting procedures.

Each proposed plan was further reviewed to ensure that the operations would be conducted while the National Guard personnel were in a State status and that the participation by individual Guardsmen would be in addition to their regular annual training for their federal mission. As each plan was approved by the Secretary of Defense, the Governor of the State was immediately informed by the Secretary. The Adjutant General of each State was simultaneously informed by the Chief of the National Guard Bureau.

During FY 1989, more than 1,811 support missions were conducted by some 6,796 National Guard personnel, utilizing some 149,449 mandays of effort. The missions included ground and aerial reconnaissance and surveillance. Photo reconnaissance was typically provided by RF-4C Air National Guard units and OV-1D Army National Guard military intelligence units. Additional tactical intelligence through surveillance of such special targets as border crossing points, abandoned air strips, etc., was provided by Special Forces, Long Range Reconnaissance Patrols, and by other specialized units of the National Guard. The missions also included: the transportation of law enforcement officers, evidence, seized property, and contraband; Air National Guard radar operations to track suspect aircraft; cargo and container searches at seaports, airports, and land border entry points; aircraft, watercraft and motor vehicle searches at law enforcement check points; joint training for National Guard and law enforcement personnel; administrative, intelligence, engineering, communications, and maintenance support to law enforcement agencies; and the loan of specialized military equipment. The missions were usually performed in addition to the regular training activities of the National Guardsmen, but on a case-by-case basis some missions were conducted incidental to regular training or as a by-product of regularly scheduled training.

Some delays did occur in FY 1989 in the execution of the several plans which had been submitted by the states and terri-

tories. Most of the delays were predictable and were the result of the fact that this statutory mission was given to the DoD on comparatively short notice and before the Department had developed programs, policies, and review and approval procedures to perform the missions and to allocate the $40 million appropriated for this particular mission.

Seventy million dollars has been appropriated by the Congress for the counternarcotics activities of the National Guard in FY 1990. An additional $40 million has been appropriated for the procurement of equipment to support these activities. The proposed plans that were submitted by the states for FY 1990 were developed and staffed in much of the same manner as the FY 1989 plans, but the new proposals were much better and the approval process was completed much more quickly. All 54 states and territories submitted plans for execution during FY 1990.

As a general proposition, law enforcement agencies at the Federal, state and local levels have been very pleased with the support that has been provided by the National Guard. The challenge for the DoD and for the individual Adjutants General is to continue this excellent support in a way which does not violate the restriction imposed by the FY 1989 legislation that such support "may not be provided" if it will "adversely affect the military preparedness of the United States."

The Command, Control, Communications and Intelligence Mission

It is widely accepted that success in any interdiction effort to attack the supply of illegal drugs depends to a great extent upon the availability of good intelligence. Coordination of the exchange of intelligence between law enforcement agencies and the Armed Forces has predictably involved a clash of operating cultures, but as operating personnel at the tactical level come to understand the capabilities and limitations of their law enforcement or military counterparts, the coordination usually improves quickly. Effective coordination of intelligence and the integration of the various communication systems will, however, continue to be a challenge in the short term.

As I stated in testimony to the Congress last year, the key to the integration of the communications networks of the various law enforcement agencies is secure systems interoperability and commonality which will permit cost effective communications between the regional DoD detection and monitoring activities, the C3I centers, and law enforcement agencies. The Drug Enforcement Telecommunications Implementation Plan which was published by DoD in September, 1989, provides the structure for coordinating the implementation of a standards-driven, interoperable, secure and protected communications capability among the numerous agencies and operational facilities which are involved in drug enforcement activities. The two plans are currently being revised. The revisions will update the telecommunications requirements of the

law enforcement agencies and incorporate the existing facilities and requirements of the DoD.

A Counterdrug Telecommunications Integration Office has been established by the Director of the Defense Communications Agency (DCA). The DCA has been designated as the lead agency within the DoD for the implementation of the DoD-funded portion of the Implementation Plan and the communications system that supports the congressionally assigned detection and monitoring function.

A total of $60 million was authorized in FY 1989 and $27 million was authorized in FY 1990 to carry out the Implementation Plan. The DoD is requesting $56 million for FY 1991, which will essentially complete the DoD major procurement portion of the Plan. Using existing contracts, the Counterdrug Office is procuring and loaning communications and communications security equipment to appropriate law enforcement agencies. This central procurement authority promotes interoperability and security in support of drug operations. For FY 1991 and the outyears, the individual agencies will continue these modernization efforts and provide the required operations and maintenance funding for the systems which are acquired.

The acquisition strategy seeks economies of scale through the use of existing contracts and contractual provisions which require equipment and services to support the communications effort. Aggregating requirements under a single contract will yield a lower price, assist field planning prioritization, and

ensure that like equipment is acquired to support interoperability needs. To comply with the law, all equipment purchased by the DoD is being loaned to the law enforcement agencies. A Memorandum of Agreement was recently entered into which addresses accountability issues and clarifies the fact that DoD-purchased equipment will be loaned to the LEAs on an other than permanent basis.

The acquisitions are based on identified shortfalls from an interoperability and security standpoint. Unless otherwise stated, all purchases will fulfill validated requirements documented in the Implementation Plan. Detailed information on existing communications capability and networking has been provided in the Master Plan. Most of the networks utilized are multi-use networks, i.e., drug interdiction/enforcement information is one of several categories of information transmitted over these communications systems and subsystems.

Fixed network assets play an important role in our effort. They include several long haul communications facilities currently in use by the Federal Government to transfer voice and data traffic. The initial emphasis is to provide secure or protected telecommunications capabilities for use on the networks.

The National Security Agency is acquiring Secure Telephone Units. Radio networks will provide the capability for effective command and control of mobile and field operations and for real-time interoperability. They also provide the greatest challenge

from an interoperability standpoint. The addition of security and protection devices adds a higher degree of complexity to achieving interoperability. To support the acquisition of portable very high frequency (VHF) radios, funds were forwarded to the Federal Bureau of Investigation. This acquisition will provide privacy capabilities to the FBI during counterdrug operations. Participating agencies have agreed to accept the military standard for secure facsimile equipment. This will permit the procurement to proceed via an Air Force contract.

Over-the-Air-Rekeying (OTAR) is a critical step in improving the role of portable radios in the drug interdiction business. The Customs Service has been given funds to support the testing of this technology. OTAR capability will permit the rekeying of radios of agents in the field and eliminate the transmission of sensitive information in the clear.

In order to provide portable super high frequency (SHF) satellite communications terminals, the DCA has signed a contract with VIASAT Corporation. The terminals will use the Pan American satellite and support connectivity between mobile radar sites and Command, Control, Communications, and Intelligence (C3I) Centers in the Caribbean region for Joint Task Force-4. The service is required to be operational 90 days after contract award.

The DoD effort to provide C3I support to the interdiction agencies is thus progressing well, but there is still much to do.

The Attack on Drugs at the Source

In his September 18, 1989, Guidance to the DoD, the Secretary of Defense declared that an effective attack on the flow of illegal drugs depends upon action at every phase of the flow, including action in the countries that are the source of the drugs. The DoD is assisting in the attack on the supply of drugs in source countries through assistance for nation-building, operational support to host-country forces, and cooperation with host-country forces to prevent drug exports. The near-term efforts are focused on the Andean nations from which most cocaine entering the United States originates.

The key objective of the President's actions in the Andean region are to strengthen the political will and the capabilities of the host nations, to increase the effectiveness of counter-cocaine activities, and to inflict significant damage to the operations of trafficking organizations. U.S. military personnel are authorized to accompany host nation forces during authorized training and administrative activities within areas which have been previously designated by the U.S. Military Group Commander in each country and approved by the Commander-in-Chief of the U.S. Southern Command, but they do not accompany host government forces on actual field operations.

The operational support takes various forms, e.g., planning, communications, medical, and logistics support, but U.S. military personnel do not serve as field advisors or replace agents of the

Drug Enforcement Administration on coca eradication operations. None of the countries within the Andean region have asked for U.S. troops and there is no current contemplation by the Department of the use of U.S. Armed Forces personnel in any combat role in those countries. What those countries are asking for, and what we are providing, is training for their police and military personnel, equipment, and operational support. Each request by any Andean country is evaluated on a case-by-case basis.

The activities of U.S. military units in the execution of the DoD counternarcotics missions abroad, including counternarcotics activities in support of U.S. Ambassadors or principal officers and support of host country military forces engaged in anti-drug activities, are coordinated with the Department of State and other Federal agencies, and with the appropriate theater Commander-in-Chief. Within the Andean region, the DoD is providing Mobile Training Teams (MTTs) and planning support to the international counternarcotics effort of the State Department. The MTTs have been sent to the region to provide training in individual and small unit tactics, leadership, and airmobile and riverine operations. Advice is being given on the procurement and architecture of command, control and communications and intelligence facilities. Medical and engineering support and civic action are being provided along with air mobility assets which enhance the capability of the source countries to insert

their own counternarcotics forces to remote regions where cocaine is grown, processed or transported.

The DoD has not and does not intend to substitute U.S. programs for those which the host countries must implement for themselves. U.S. military personnel will not replace or augment host country military personnel who are engaged in counternarcotics operations.

On August 25, 1989, the President invoked the provisions of the Foreign Assistance Act of 1961 and authorized the furnishing to Colombia of up to $65 million in military assistance from the stocks of the Department, defense services of the Department, and military education and training. The $65 million has been used to provide equipment and training to the Colombian National Police, the Directorate of Administrative Security, the Army, the Air Force, the Navy and the Marine Corps. The emergency military equipment included aircraft, boats, trucks, spare parts, ammunition, medical supplies, communication gear and other equipment and training, and was provided within 120 days. Each item of material was specifically requested by the Colombian Ministry of Defense and was made available from "off-the-shelf" DoD stocks. Purchases of specialized equipment were not authorized under the program. Several maintenance MTTs were sent to Colombia to assist in the receipt and rapid utilization of the large volume of equipment which was being transferred.

On February 15, 1990, the President did, of course, meet with the Presidents of Bolivia, Colombia, and Peru in Cartagena, Colombia. The four leaders discussed ways to increase cooperation and to strengthen comprehensive anti-drug programs to reduce the production, trafficking, and consumption of illegal drugs. The President joined the President of Colombia, Virgilio Barco, in reaffirming the importance of continuing current programs for training, equipment and administrative support of Colombia's counternarcotics efforts.

Use of Military Correctional Facilities

On July 17, 1989, Secretary Cheney directed the Department to explore alternatives for a more effective use of military correctional facilities, including the possible use of excess capacity to house civilian drug offenders. The Army was appointed Executive Agent and was directed to develop a structure and plan to operate a Consolidated DoD Correctional Program to improve the utilization of existing military correctional facilities, and to adopt procedures which will permit the individual Services to develop plans for restoring offenders to active duty. A joint working group is currently developing option packages for eventual consideration by the Secretary of Defense.

Last fall, I was approached informally with a request by the Bureau of Prisons, and on September 12, 1989, the Attorney General requested formally, that the Bureau of Prisons be given access

to portions of certain operating military bases for the construction of federal prisons. On October 27, 1989, and pursuant to that request, the Deputy Secretary of Defense established a Bureau of Prisons Assistance Council within the DoD. The Council was directed to assist the Bureau of Prisons in obtaining prison sites on military properties which are affected by the Base Closure and Realignment Act. A joint working group has been established to process and to coordinate specific requests from the Bureau of Prisons.

On July 7, 1989, Executive Order 12682 was signed by the President establishing a Commission on Alternative Utilization of Military Facilities. The membership of the Commission includes the DoD, the Federal Bureau of Prisons, the National Institute on Drug Abuse, the GSA, the Department of Housing and Urban Development, and the Office of National Drug Control Policy. The Commission has been charged with responsibility to review and report active and inactive military facilities which are underutilized and which would be renovated to serve as security facilities, drug treatment facilities, and facilities to assist the homeless. The DoD chairs the Commission and is providing administrative support as necessary. The Department will screen installations and report its finding to the Commission and the other members of the Commission will determine requirements, develop individual

criteria for suitability, and report to the Commission. Eventually, the Commission will prepare a consensus report for the President.

On September 18, 1989, the Secretary of Defense directed the DoD to review the potential for the Department to provide, upon request, temporary overflow facilities to Federal, state, and local authorities for the incarceration of convicted drug offenders. We are currently coordinating a review and inspection of those facilities by the Bureau of Prisons to determine which facilities meet security requirements. A list of recommended facilities which are suitable for prison overflow support is being developed and will be provided to the Secretary of Defense.

Finally, and on a case-by-case basis, the individual Services have authorized the use of military facilities by Federal and state authorities to support correctional needs. The indivdual requests for support are reviewed at the Secretariat level within each Military Department. This initiative is designed to provide installation support-type work by minimum security Federal and state prisoners in exchange for the use of excess facilities.

Reducing Demand within the Armed Forces

The Department of Defense is strongly committed to drug abuse prevention and treatment programs that are designed to ensure the readiness of the Defense community. Substance abuse

undermines the readiness of Defense personnel, jeopardizes our high standards of safety, decreases productivity and poses potential national security risks. The DoD substance abuse programs include drug testing, education and treatment.

The most visible and perhaps best known of our substance abuse programs is the urinalysis testing program, which began in limited fashion 1971 when the Military Services implemented programs to identify members of the Armed Forces who are using illegal drugs. The Department's "zero tolerance" policy and more strict random urinalysis testing procedures have been an unqualified success in detecting and deterring the use of illegal drugs. For the past five years, the Services have been testing approximately 3 million specimens per year and even at this rate there have been no false positive reports. Most of the testing is conducted by the nine existing DoD laboratories.

I am pleased to report that the Department has achieved an 82 percent reduction in reported drug use since 1980. The 1988 Worldwide Survey of Substance Abuse and Health Behaviors Among Military Personnel reports a final estimate of 4.8 percent of persons who report using any drugs during the past 30 days, compared to 27 percent in 1980.

Illicit drug use is universally considered to be incompatible with military service and it will not be tolerated within the DoD. The consequences of drug abuse are immediate and readily predictable. In general, it is the policy of the Services that

any commissioned or noncommissioned officer who uses illegal drugs will be processed for separation from the Service. In the case of younger enlisted personnel, individuals who test positive for drug abuse but who demonstrate potential for further useful service, will be offered rehabilitation and counseling. All others will be processed for separation. The use of illegal drugs on a second occasion will usually result in the initiation of a discharge proceeding.

The nonresidential and residential rehabilitation treatment programs of the Military Services are available to eligible Service personnel with substance abuse problems and to family members who have such problems on a limited basis. Residential rehabilitation services are provided on a 24-hour, live-in basis for personnel who have been diagnosed as dependent on drugs. Nonresidential rehabilitation services are provided on a non-live-in basis for those who abuse drugs. The majority of the drug treatment activities in the Services are performed in nonresidential facilities.

In addition to the testing and treatment programs, DoD's prevention efforts include mandatory drug education and training for all DoD personnel at key career points. Emphasis is placed on prevention policy and effective measures to alleviate problems associated with drug use. Additionally, the American Forces Information Service conducts the general information component of the drug abuse prevention program through the use of the mass

media, e.g., public service announcements on Armed Forces Radio and Television, editorial coverage through Press Pack, posters through Defense Billboard, and the dissemination of pamphlets. Over 175 drug and alcohol audiovisuals and numerous pamphlets and films are available for use within the Services and DoD.

The Department has begun a major effort to extend the drug testing program to our civilian workforce of over one million persons. The Department of the Army has been testing its civilian workforce since 1986. The Office of the Secretary of Defense and the Chairman of the Joint Chiefs of Staff have been testing civilian personnel since April 1989. The majority of the remaining DoD components have begun limited testing.

The Department of Defense has also instituted a requirement for the initiation and maintenance of flexible, contractor-developed programs for the prevention, detection and treatment of drug abuse by employees whose duties involve access to classified information or the production of critical items of military equipment. These programs include employee education, supervisory training and drug testing. This DoD interim requirement became effective on October 31, 1988. The policy applies to all contracts which involve access to classified information and which are to be performed within the United States. Contracts pertaining to national security, or to the protection of the health or safety of those using or affected by a product or performance of the contract must also comply with the require-

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ment. This policy should not be confused with the government-wide requirement that all contracts over $25,000 which involve work to be performed in the United States, or all grantees receiving Federal funding, must have a drug-free workplace policy. The government-wide policy does not require testing at this time.

I am particularly proud of the Department's efforts to educate over 190,000 DoD dependent children on the dangers of drug abuse. Several new programs have been initiated to inform the children about those dangers. A new education program modeled after D.A.R.E. (Drug Abuse Resistance Education), a joint project of the Los Angeles Police Department and the Los Angeles Unified School District, is being energetically implemented in the DoD schools. I was very pleased to see this program first hand during my recent visit to Mark Twain Elementary School at the Headquarters of U.S. Army, Europe, Heidelberg, West Germany. The program uses military policemen as instructors and role models for drug abuse courses in elementary and middle schools. In addition to the D.A.R.E. program, all DoD schools are participating in the nationwide Federal campaign to ensure that DoD schools are drug-free. The Federal campaign includes pledge programs and educational materials for all participating schools.

Other Recent DoD Initiatives

On January 22, 1990, the Secretary of Defense approved five additional initiatives designed to broaden the DoD support of the National Drug Control Strategy.

The first initiative will involve the detail of up to 275 military personnel to Federal drug law enforcement agencies and the Office of National Drug Control Policy (ONDCP) to perform liaison, training, and planning functions as appropriate and to assist in the implementation of the National Drug Control Strategy and the Guidance of the Secretary of Defense for the implementation of that strategy. The personnel will be assigned on a non-reimbursable basis, consistent with the constraints of and exceptions to the Economy Act. We are currently working to refine duty descriptions so that the individuals may be expeditiously assigned.

The second initiative authorized military personnel to provide specialized training for future supervisory personnel in state and local rehabilitation-oriented training camps for first time drug offenders. This training is being made available to Federal, state and local agencies. The first of the programs began on January 29, 1990, at the U.S. Marine Corps Base, Quantico, Virginia, with personnel from the Department of Corrections, State of Maryland. The training of this first group was completed on February 16, 1990. We have invited representatives of ONDCP and the Department of Justice to observe the

training to determine whether or not the training may have wider applicability.

The third initiatives authorized the Department and its operational units to expand programs for training drug law enforcement agency personnel in languages, planning skills, logistics, communications, tactics, equipment operation and maintenance, and intelligence. We are currently working with several agencies to review their needs.

A fourth initiative directed an expansion of the use of military working dogs and handlers to support the inspections by drug law enforcement agencies of cargo arriving in the United States by aerial and maritime transportation. Preparation for the full implementation of this initiative is continuing. Interim guidance has been provided and working dogs and handlers are assisting today at ports of entry.

The fifth initiative directed the establishment of four regional logistical support offices to coordinate the responses of the DoD to the requests of Federal, state and local drug law enforcement agencies for non-operational (e.g., equipment) support. The offices will be established in Buffalo, New York; Miami, Florida; El Paso, Texas; and Long Beach, California. The Long Beach office will also have a small detachment in Hawaii. Preparation for the commencement of this initiative, including the assignment of appropriate personnel and the completion of

appropriate training and orientation for those personnel, is continuing.

Plans and Budget for the DoD Counternarcotics Program

Soon after Secretary Cheney asked me to assume responsibility as the Coordinator of the DoD Counternarcotics Program, it became apparent that a significant misunderstanding had occurred in connection with the last defense budget that President Reagan had submitted in January 1989. That budget identified the total funding that was to be applied by the Department in FY 1990 in support of its Counternarcotics Program, but it did not identify the amounts which were to be directed to the support of specific activities. As a consequence, and as I learned during the course of certain hearings during the summer of 1989 and in private meetings with various members of Congress and the professional staff, many people had assumed -- incorrectly -- that the Department did not really intend to support its Counternarcotics Program to the extent claimed.

Pursuant to the designation by the Secretary of Defense of the DoD Counternarcotics Program as a top priority of the Department, and in order to avoid similar misunderstandings in the future, several steps have been taken to give my office greater management control over the Program. All individual DoD counternarcotics programs, with the exception of DIA and NSA programs

and military personnel accounts, have been transferred from Service and Agency accounts to a consolidated central account that will be managed by my office beginning in FY 1991.

Starting with the FY 1992-1997 program, and after consultation with the Secretaries of the Military Departments, the Chairman of the Joint Chiefs of Staff, and the Directors of the Defense Agencies, I will submit a plan and program for the DoD counternarcotics activities. The plan will establish DoD counternarcotics objectives and define an outyear strategy for achieving those objectives consistent with the Secretary's guidance of September 18, 1989, and the President's National Drug Control Strategy. Further, the plan will complement the efforts of U.S. intelligence and law enforcement organizations and cooperating foreign countries. I will receive separate fiscal guid- from the Secretary for use in developing the DoD Counternarcotics Program. I will also prepare the DoD Counternarcotics Budget. The Counternarcotics Budget will continue to be executed by the Military Departments, the Defense agencies, and the other DoD components, as appropriate. This centralized management of the Counternarcotics Program will facilitate the planning, coordination, and oversight of DoD's numerous counternarcotics activities.

The budget for the Department's Counternarcotics Program in FY 1991 clearly reflects the priority that has been assigned to the Program by the President and the Secretary of Defense. In

FY 1989, Congress appropriated $300 million to the DoD for the performance of the three new statutory missions. The law authorized the Department to spend $40 million for the enhanced use of the National Guard. On February 15, 1989, the Department notified Congress of its plan to allocate $60 million of the remaining $260 million to support the integration of C3I systems and to direct the final $200 million to the performance of the Detection and Monitoring mission. Since the legislation had directed the funds into military personnel and operations/ maintenance (O&M) accounts, reprogramming requests were submitted to Congress to obtain authority for the procurement of equipment needed to perform the missions. The reprogramming was approved on August 8, 1989.

For FY 1990, the President requested, and Congress appropriated to the DoD, a counternarcotics budget of $450 million. Some $110 million will be directed this year to the support of the National Guard pursuant to the plans submitted by the individual states and approved by the Secretary of Defense. Of that amount, $40 million will be directed to the procurement of equipment for the National Guard. A total of $213 7 million will support the Department's Detection and Monitoring mission and $27 million will be applied to the support of the integration of C3I systems. The remaining $99.3 million will be applied to other specific programs as directed by Congress, including (1) $40 million for other procurement by the Air Force in connection with the

Caribbean Basin Radar Network; (2) $15.8 million for other procurement by the Army for the improvement of intelligence management and other C3I systems; (3) $40 million for non-reimbursable support to Federal law enforcement agencies; (4) $2.5 million for transfer to the Department of Treasury for classified programs; and (5) $1 million for the Civil Air Patrol.

The high priority given to the counternarcotics missions by the Department is further reflected in our request to reprogram $165.4 million from non-drug related sources for additional support of the Detection and Monitoring mission. When the funds which have been dedicated by the Department for its own demand reduction program and for routine operational support (aircraft flying hours/ships steaming days) of the law enforcement agencies are included, the total FY 1990 DoD funding for the Counternarcotics Program will be $877.6 million.

The DoD budget which has been submitted by the President for FY 1991 seeks a total of $1.2 billion. Of that amount, $81 million will be used to support the National Guard plans submitted by the states, including expanded support of interdiction efforts on the Southwest border and the recently designated High-Intensity Drug Trafficking Areas. Some $5 million of the amount directed to the National Guard will be used for the purchase of communications, sensors and direction finding equipment.

The funding request for the integration of communications networks and the enhancement of the operational effectiveness of

law enforcement interagency communications, is $56.0 million. This will include the completion of procurement for the implementation of a standards-driven, inter-operable, secure/protected communications capability linking the numerous agencies and support activities. As noted earlier, purchase of various types of communications equipment will be made to meet the requirements specified in the National Telecommunications Master Plan for Drug Enforcement, including VHF, UHF, HF, and satellite communications equipment. Additional secure telecommunications unit sets (STU-IIIs) will be purchased as mission requirements dictate. In FY 1990 and FY 1991, the emphasis will continue to be upon critical interdiction and border control functions along the entire Southern border, especially the Southwest land border, and upon the application of the National Strategy in support of evolving state and local requirements.

The FY 1991 Detection and Monitoring Program also builds upon initiatives which were begun in FY 1989 and FY 1990. A total of $984.9 million dollars will be assigned to the support of this program to provide improved command, control, and communications; intelligence upgrades; and increased tempo of operations (OPTEMPO) dedicated to counternarcotics activities, including enhanced counternarcotics initiatives by certain unified and specified commanders-in-chief (CINCs); and other activities in support of the counternarcotics mission. The FY 1991 DoD budget will substantially increase the Department's

fiscal, OPTEMPO and capital investment efforts. The level of OPTEMPO, which includes support for aircraft flying hours and ships steaming days, will increase from $181.4 million in FY 1990, to $227.2 million in FY 1991. The procurement of two additional land based aerostats and one system spare radar bag is included in our plan, which also includes $242.8 million for the procurement of a sector of the Over-the-Horizon Backscatter radar to be used in our detection efforts.

Figures I and II reflect a comparative breakdown of the funding levels for the DoD Counternarcotics Program over the period FY 1989 - FY 1991.

Financial Summary
(Dollars in Millions—Budget Authority)

	FY89 Actual	FY90 Estimated	FY91 Proposed
SUPPORT TO INTERDICTION			
C3I Integration	59.9	27.00	56.0
Detection & Monitoring			
RDT&E		10.4	20.3
Program	197.4	200.0	617.4
National Guard Activities (In State Status)			
Program	27.6	70.0	81.0
Congressionally Directed (Procurement)		40.0	
Other Congressionally Directed			
CBRN		40.0	
Southcom C3I		15.8	
Support to LEAs (Non-Reimbursable)		40.0	
Civil Air Patrol		1.0	
Treasury (Classified)		2.5	
INTERDICTION APPROPRIATIONS SUMMARY	284.9 [300.0]	446.7 [450.0]	774.7
DOD INTERDICTION ADDS DEDICATED BASELINES			
Optempo (Flying hours/steaming hours)	**71.8**	**181.4**	**227.2**
Restored Detection & Monitoring		**72.3**	
Expanded CINC Operations		**93.1**	**120.0**
DEMAND REDUCTION (DEDICATED BASELINES)			
Prevention	**69.7**	**72.5**	**74.6**
Treatment	**12.4**	**11.6**	**11.4**
TOTAL DOD COMMITMENT	438.8	877.6	1,207.9

FIGURE 1

DOD Counternarcotics Activities
FY 1989 through FY 1991
($ in millions)

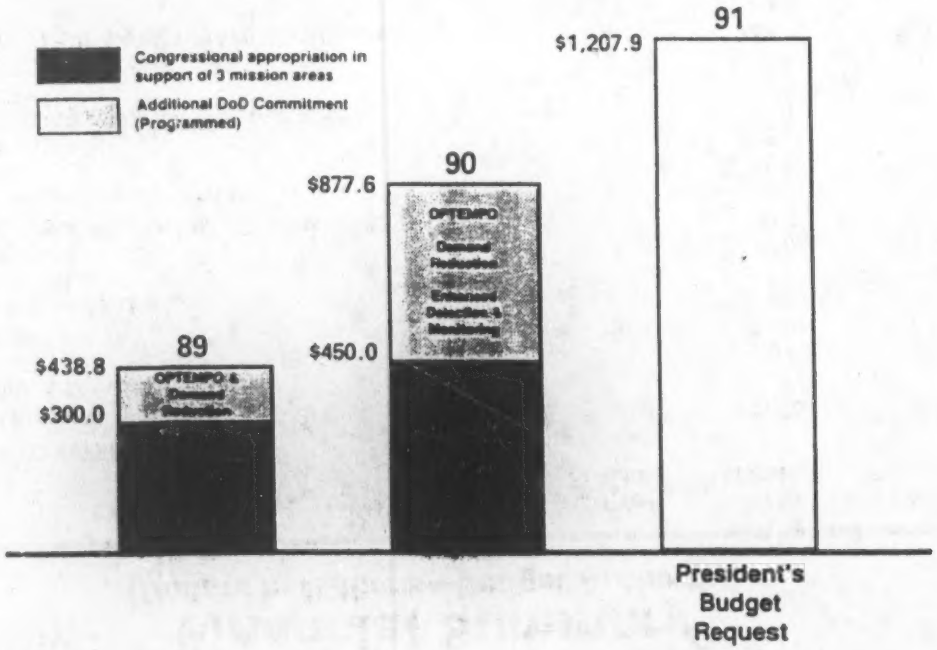

FIGURE II

1427

Measuring Performance

Given the substantial efforts and resources which are being directed by the DoD to the fight against illegal drugs, it is important that we monitor our performance. It is equally important, however, that the Department's performance be judged by appropriate standards.

There is no simple solution to the problem of drug abuse in our Nation, nor is there any quick fix. The fundamental principle of the National Drug Control Strategy is to make drugs undesirable and difficult to obtain through a mix of supply and demand policies, and that mission can be accomplished only by using all of the drug reduction tools at hand, including criminal justice systems; drug treatment programs; prevention activities in our schools, businesses, and communities; international efforts aimed at the drug source countries; interdiction strategies to stymie smuggling operations; and a variety of our intelligence and research resources. The President's Strategy sets as a Ten-Year Objective, a 50 percent reduction in the overall drug use by Americans. The Secretary of Defense has noted that the nation will ultimately be rid of the scourge of illegal drugs only through the sustained application of the energy, courage, and determination of the American people.

It has thus been rightly observed that interdiction efforts alone cannot prevent all drug smuggling, nor is that the purpose of those efforts. Rather, and as the 1990 National Drug Control

Strategy notes, "interdiction focuses on intercepting drug smugglers and their shipments, so that their trafficking operations can be consistently disrupted." Over time, the employment of appropriate elements of the Armed Forces in interdiction activities should help to complicate the logistical difficulties of drug traffickers, increase the costs and risks of their smuggling activities, and reduce the flow of illegal drugs across our border. In this way, we can buy time until education and other demand reduction efforts have an opportunity to take full effect. Moreover, while DoD activities overseas, along the border and within the states work primarily to reduce supply, they can also have, in the words of the National Drug Control Strategy, "an important, radiating effect on demand, as well, because they make the purchase of certain imported drugs more difficult -- and therefore less likely."

It must also be remembered that interdiction involves more than the efforts and resources of the Department of Defense. While the DoD is the lead Federal agency for the detection and monitoring of the aerial and maritime transit of illegal drugs, interdiction also involves sorting; interception; tracking and "hand off" of the suspected traffickers from DoD to the appropriate law enforcement agency; and apprehension. The provisions of the Posse Comitatus statute place strict limitations on the authority of the Armed Forces to make arrests and to conduct searches and seizures. And while the Armed Forces of the United

States will be actively involved in the support of law enforcement agencies, the DoD will not become a law enforcement agency. Consequently, the DoD plays a very important role, but a limited role in the overall fight against illegal drugs.

For these reasons, it is inappropriate and unreasonable to judge the performance or productivity of the DoD by such artificial "body count" type standards and statistics as the price of coca leaf at an Andean market, the street price of cocaine in a particular U.S. city, the number of arrests made during a particular period of time, the number of pounds of marijuana confiscated or destroyed, or by similar measures. An increase in drug seizures on land in the U.S. might suggest that the DoD has significantly improved its detection and monitoring capabilities at sea, but the increase might also be due to the improved capabilities of one or more of the law enforcement agencies which are involved in the interdiction activities, a sharp jump in the domestic supply, or other factors. Because the national drug problem is so pervasive and complex, it is very difficult to measure with accuracy the actual effect on the drug market of interdiction or any other specific anti-drug initiative.

This is not to say that the efforts of the DoD should not be evaluated, merely that they should be evaluated by a realistic standard. It was noted in the September 5, 1989, National Drug Control Strategy, for example, that our nation's stepped-up interdiction efforts have already forced drug traffickers to make

significant operational adjustments by changing their trafficking routes from the eastern coast of Florida - first toward the Bahamas, and then, more recently, to Mexico, where drug cargos are being carried across our land border. This development is one fair measure of progress. The fact that a certain large shipment of illegal drugs was not flown across the eastern coast of Florida because a plane that was scheduled to transport the drugs did not take off because of the fear of the trafficker that the plane would be detected by the Armed Forces of the United States and apprehended by U.S. law enforcement agencies, is also a clear success! That success is real, even if it is less tangible than a confiscation of illegal drugs. The Department of Defense should thus be judged in terms of its ability to perform the specific and important, but limited, missions that have been assigned to the Department, i.e., by the quality of its support of law enforcement agencies and the other parts of the Government in the implementation of the National Drug Control Strategy.

Conclusion

In the opening passages of his important study of civil-military relations, The Soldier and the State, Professor Samuel P. Huntington, asserts that the military institutions of any society are shaped by two forces:

> "a functional imperative stemming from the threats to the society's security and a societal imperative arising from the social forces, ideologies, and institutions dominant within the society. Military institutions which reflect only social values may be

> incapable of performing effectively their military function. On the other hand, it may be impossible to contain within society military institutions shaped purely by functional imperatives."

The British scholar General Sir John Hackett is more succinct: "The function of the profession of arms is the ordered application of force in the resolution of a social problem."

In assigning major responsibilities in the fight against illegal drugs to the Armed Forces, the political leadership of our nation has taken steps to ensure that our own military institutions reflect both functional and social imperatives. First, the policy of using military resources to assist in the restriction of the flow of illegal drugs across our border is responsive to the public desire to employ the Armed Forces in the attack against what the President has described as "this nation's number one concern." Second, the policy is consistent with the definition by the Secretary of Defense of the supply of illicit drugs to the United States and the associated violence and international stability as a "direct threat to the sovereignty and security of the country." Our challenge is to ensure that the political purpose for which military force and resources are being used is clear, and to remember that military force is an important component, but not the only component of the total national power which is being applied to eliminate the scourge of illegal drugs.

I am pleased to report that much has been accomplished in recent months by the Department of Defense in the improvement of

its performance of the three statutory counternarcotics missions and in its efforts to find other ways to effectively implement the President's National Drug Control Strategy. While much hard work lies ahead, I have no doubt that Secretary Cheney's policy guidance to the Department is understood and that the uniformed Services are energetically seeking to perform the counternarcotics missions. The men and women of America's Armed Forces will continue to be an important part of the national effort to secure for all Americans, a drug-free America.

Mr. Chairman, this completes my statement. Please accept my thanks once again for the privilege of appearing before the Committee.

FISCAL YEAR 1990 REPROGRAMMING REQUEST

Mr. MURTHA. In fiscal year 1990 we appropriated $450 million in the drug interdiction account and the department provided a like amount from within their funds for a total of $875.1 million. The department is planning to submit a reprogramming request for $165.4 million. Is the $165.4 million included in the $875.1 million listed above, or is it in addition to it?

Mr. DUNCAN. Yes, sir.

Mr. MURTHA. When will the reprogramming be forwarded to the committee?

Mr. DUNCAN. My best judgment would be about mid-April.

Mr. MURTHA. What would be the impact if it is not approved by one committee?

Mr. DUNCAN. Well, I am hopeful that it will be, so I haven't spent a lot of time worrying about what I will do if it is not approved.

Mr. MURTHA. We have a number of reprogrammings where we don't have the money to cover them. We have over $2.8 billion worth of deferrals and reprogrammings and requests for new money, and we just are having a very difficult time identifying sources to cover them.

For instance, the budget authority is so much out of line with the amount of outlays we need in some of this legislation. So it is important I think to get an answer to us if it really would have an impact and obviously you think it will.

Mr. MURTHA. For the record, using the table on pages 22-23 of the justification book, provide a detailed breakout of the fiscal year 1990 column. This will provide a track of how the funds have been expended and are proposed to be spent.

For example, of the $103.1 million for operation and maintenance, Army, X number of dollars is for flying hours, X number for personnel, X number for base operations, et cetera. For the procurement, R&D, and Military Construction appropriations provide a breakout similar to the P-1, R-1, and C-1.

[The information follows:]

The attached sheet provides a detailed breakout of the FY 1990 counternarcotics estimates. The display is arranged by appropriation category vertically (i.e., O&M, Procurement, Pay and Allowances, RDT&E, and MILCON), and by program component horizontally (i.e., Detection and Monitoring, OPTEMPO, expanded CINCs' operations, Demand Reduction, and Total Requirement).

[CLERK'S NOTE.—Classified insert showing the fiscal year 1990 breakout as of the hearing date was removed.]

DOD COORDINATOR

Mr. MURTHA. As the DOD coordinator for drug enforcement policy and support, you are the Secretary of Defense's principal staff assistant and advisor for drug enforcement policy, requirements, priorities, systems, resources and programs.

On March 6, the committee held a hearing on intelligence activities in the drug interdiction arena. When DOD was asked to provide a witness for this hearing, not you nor anyone else in your organization was cleared to attend. Was that our fault or your fault? We understood we couldn't get anybody in your office cleared for

the hearing. Is there a problem with clearances when you are dealing with other agencies with the Defense Department?

Mr. DUNCAN. I am not aware of that problem.

Mr. MURTHA. We had some very sensitive intelligence that we were discussing and it may be for this type of intelligence at that stage, you didn't have the proper person cleared.

Mr. DUNCAN. Cleared on the staff of the coordinator, or cleared for intelligence? I think I am cleared for anything I need to know and I am unaware of the problem. The Secretary has been very clear about the way he wants to manage the counternarcotics programs. I am the senior advisor to him and ultimately I am held accountable. But, I don't usurp the statutory and policy responsibilities of the Under Secretaries or Secretaries of the Services.

On anything involving C3I, I go to the Assistant Secretary for C3I and his responsibility to the limited extent it relates to drugs. I would look to him for advice on such issues. That has not been a problem.

INTELLIGENCE ASSESSMENT

Mr. MURTHA. Our Surveys and Investigative Staff—I mentioned the type of individuals we have on the staff—looked into the intelligence side of it. I said I want them to look at the intelligence side overseas, in particular. They stated that the consensus among knowledgeable law enforcement and intelligence officers is that the drug smuggling problem is not going to be solved by pouring millions of dollars in high tech gadgetry. They believe that more human intelligence is needed, and soon. Do you agree with their assessment? Do you have any problem with human intelligence in the field? Do you need more or do you not deal with it from a DOD standpoint?

Mr. DUNCAN. I continue to receive the message that human intelligence is very important to success. We have very capable intelligence monitoring systems, and intelligence that identifies aircraft or ships is very helpful.

Having said that, and that we can always use better human intelligence—I have not seen the report you are referring to. On questions involving intelligence, and how we might more capably perform our missions, the first people I would look to would be the ASD for C3I and chief operators and ask for their advice on what we need to perform these missions.

Mr. MURTHA. What is your assessment from your involvement of the intelligence capability?

Mr. DUNCAN. Of the whole Defense Department?

Mr. MURTHA. No, I am talking about drug interdiction—what is your assessment of the intelligence?

Mr. DUNCAN. From a broad perspective, we are dealing with what I characterize as a clash of cultures. We have military intelligence designed and utilized for one purpose, typically looking overseas. We have law enforcement intelligence that uses different sources and methods and is designed for a different purpose. It is going to result in a criminal prosecution in a U.S. District Court.

Having said that, i.e., that there is a clash of cultures—the early reports that I heard, say, last fall, and into the winter months—

stated candidly, that in many cases, there were complaints by some law enforcement agencies that DOD didn't understand either their capabilities, or their limitations.

At the same time, I was hearing from our folks that the law enforcement agencies didn't understand our capability, and our limitations.

I keep asking our operators. I constantly talk to our operators and I invite the senior people at the top of the law enforcement agencies to my office for lunch to discuss these things. I am satisfied that good progress is being made. Within the last very few weeks I have had senior intelligence people from some of the law enforcement agencies tell me that for a variety of reasons, such as the meetings of the J-2, the intelligence people, with the various CINCs, with the law enforcement people, communications are improving very quickly at several different levels. As each group comes to better understand the operational capabilities and limitations of the others—it is simply a matter of experience getting to know each other. Things are improving.

I am reassured that they can work with each other. Maybe not all of the problems will disappear, but we think the coordination process will work very well. I am convinced that things are quickly improving. They weren't so good six or seven months ago, but it is fair to say that people are working hard to improve the coordination. As intelligent people get to know each other, the clash of operating cultures will be less noisy.

Mr. MURTHA. It has been over the last six months that we did the investigation and obviously we have seen an improvement since the time they started the investigations, and now. You know, human intelligence doesn't come overnight, as we all know. It takes a long time to train those folks and even to learn the language takes years.

SUPPORT TO LAW ENFORCEMENT AGENCIES

Mr. DUNCAN. Yes, sir.

Mr. MURTHA. Do you have any people involved in programs like that? Are you putting any effort into training agents that can work in foreign countries in any capacity?

Mr. DUNCAN. In the intelligence context, one of the initiatives that we are taking with respect to the law enforcement agencies, is to provide up to—the Secretary has approved up to as many as 275 military personnel to go to different departments and agencies to improve the communications process.

For example, people from DOD will soon be working at EPIC. They have just arrived there. Have we solved all of the problems? No, but I am convinced that the trend line will continue to go up. It is a reasonable question, but I am satisfied with the progress.

Mr. MURTHA. So you are satisfied, and it sounds like you understand the role of the DOD versus the other agencies.

Mr. DUNCAN. Yes.

Mr. MURTHA. Your role is essentially——

Mr. DUNCAN. Support.

Mr. MURTHA. Support for which agency?

Mr. DUNCAN. Whichever agency asks for it. We deal with all of them. It may be from Customs, or Coast Guard.

Mr. MURTHA. When you say all, you are talking about on the border, Customs, the Drug Enforcement Agency overseas——

Mr. DUNCAN. There is a whole variety. We see our role as being an agency of support for law enforcement agencies. The secretary has been clear about that.

One of the problems I have is the challenge of lowering expectations. Many people think that as soon as we send in soldiers and sailors, the drug problem will go away. Not so. It is a long term problem. We can contribute a lot, but DoD is a support agency.

If you go to the Southwest border, you will see National Guardsmen from the State of Texas helping the Customs Service by doing such things as inspection of all kinds of containers, et cetera. You will see Reservists in the Armed Services, working with the Border Patrol.

MILITARY PERSONNEL TRAINING

Mr. MURTHA. What kind of training—I am nervous when I see military personnel dealing in a police power system with civilians. Do you give them special instructions before they go out?

Mr. DUNCAN. Yes sir. Our objective is to provide training between the agencies and the appropriate military unit before they start an operation. For example, if we have an operation for ground surveillance involving Reservists and the Border Patrol, we try to put them together and engage in training first. It might be a week long. It is very helpful. I am getting reports back saying—they start saying we know how you operate and that is not what we are used to, and then they have the training program and they operate—it is just a matter of gaining experience.

DETECTION AND MONITORING

Mr. MURTHA. You are the lead agency of the Federal Government for detection and monitoring of aerial and maritime transit of illegal drugs. Is that the main thrust of your responsibility?

Mr. DUNCAN. Not the main thrust. It is an important thrust. It is a significant role, but we are doing much more than that.

Mr. MURTHA. As I understand it, DOD is the single lead agency of the Federal Government for detection and monitoring of aerial and maritime transit of illegal drugs. Is that your main function?

Mr. DUNCAN. I guess it would be fair to characterize it as main. We have many important missions. That is one of the three primary missions Congress gave us, and that is a very important mission.

I would urge the Chair to be careful. We are not the lead agency for enforcement. The statute says detection and monitoring.

Mr. MURTHA. I said detection and monitoring. You are not involved in enforcement——

Mr. DUNCAN. We are not involved in arrests and seizures at the tail end of the interdiction process. But it is an important mission because you can't make the arrests and seizures if you haven't monitored.

Mr. MURTHA. I think it was in a Tom Clancy book where they shoot down the airplane. DOD can't shoot down airplanes. DOD has expensive radar and high powered airplanes. A Piper Cub is flying along, but the law doesn't allow you to take any action against that airplane at all, or does it?

Mr. DUNCAN. Let's think of a hypothetidal—I hate those. Say that we detected a slow flying, low flying aircraft and on the basis of some form of intelligence or maybe no intelligence, there was a suspicion that that aircraft was carrying illegal drugs and it was about to transit our borders. That is an important mission for the Armed Forces. Let's assume we detected it, that we scrambled F-15 aircraft to identify the aircraft to get the tail numbers and to obtain whatever other charcteristics may be observable.

That military aircraft is not left without options. It can follow the suspect aircraft all the way to the ground, radio law enforcement agencies where it appears the aircraft is headed so law enforcement agencies on the ground can be prepared to search and seize.

Even if the aircraft turns around and returns to a foreign country our aircraft can monitor that and inform the appropriate people.

Mr. MURTHA. How far can they monitor—the Colombia Government has already said it doesn't want the U.S. Armed Services off their coast. You can go up to the international limit.

Mr. DUNCAN. The President has made it clear that we are not going to go into the territory of a foreign country without its permission.

Mr. MURTHA. So you really have detection and monitoring as really your responsibility outside the fact of trying to keep the drug use down in the Services itself?

Mr. DUNCAN. Well, there is much more than that. I would be reluctant to characterize the detection and monitoring mission as a limitation. We are limited to the extent that we don't have authority to shoot down an aircraft. If we radio the information that the aircraft is returning to Columbia, to Colombian authorities, that could be a solution to the situation.

Mr. MURTHA. How many planes have you intercepted this last year?

Mr. DUNCAN. I have no idea, Mr. Chairman. I can find out for the record.

Mr. MURTHA. I understand it was two. That is the information I have

Mr. DUNCAN. You must be careful about that. How do we measure success? We know that as a practical matter much of the traffic is shifting from coming across the Caribbean to Florida by air and sea and shifting to the land borders. I believe there is a connection with the airplane that didn't take off this month that would have taken off six months ago.

[CLERK'S NOTE.—The Department was unable to provide a response in time to be printed in this hearing volume.]

[The information follows:]

For fiscal year 1990 through February, the Department of Defense has been actively involved in some aspect of 31 intercepts of suspected narcotics smuggling aircraft.

Mr. MURTHA. I understand. But the price of drugs has not gone up, which means they are just as accessible as they ever were here. When you start reducing the number of drugs coming in, the price goes up and the price is not increasing, it is staying the same.

We have got a terrible problem trying to fit all the missions of the Armed Services into this reduced budget and we are trying to find areas where we may be able to reduce the budget. We want to spend money on drug interdiction if it is effective.

You have been given a mission and I admire your tenacity in trying to defend the mission, but I see us spending a lot of money in monitoring and maybe not having the impact we would have if we spent the money someplace else.

Mr. DUNCAN. I am not saying this because I am being paid to defend a position. This fight is a very complex fight and a long-term fight, and we Americans are very short-term oriented people. We know how to roll up our sleeves and get to a project quickly, but long-term, subtle problems may not be our forte.

The President has made it clear that we have to reduce demand. Can we win the fight without reducing demand? I don't think so. I would characterize the detection and monitoring and the other uses of the Armed Forces in the drug fight as absolutely necessary, but not sufficient. Alone, the Armed Forces won't solve the drug fight, but we can disrupt the trafficking patterns to give the long-term solutions an opportunity to develop.

If you had told me personally 15 years ago that there would be a point where the Congress would ban smoking on commercial aircraft in the United States, I would have said, no. It takes time for these things to happen. We are making an impact, but it is not going to be measured in traditional ways, such as the price of cocaine or how much we confiscated this week.

Mr. MURTHA. I think you measure it by the price of the drug. There is a lot of different ways to measure. I know the military has been extremely successful in reducing drug use inside the military. My concern is that the other missions that are essential to national security, as drug use is, are going to be hurt if we are not utilizing money to the best extent in the military. I am just looking for ways to see if we can buy a few less radars, and put the funds in human intelligence instead. I don't know what the answer is, but we are looking for a way that we can reduce expenditures.

We are having a hard time coming up with sources for reprogramming which the President thinks are priorities, and next year it is going to be even tougher, as you know. We are going to try to make sure we take care of your other hat with the Reserve and Guard. So if you don't send a reprogramming up for that $187 million, that might be helpful for us in trying to find money for something else.

Mr. DUNCAN. I appreciate your frustration at seeing a direct connection between the efforts of the Armed Forces and the drug fight ending in the next six months. It is not going to happen, but I think our efforts are absolutely necessary. It is a long-term process. I think we are performing as well as anybody could expect us to. In

fact, in my opinion, the Armed Forces have done more than we had reason to expect nine months ago.

Mr. MURTHA. I was glad to hear the new Assistant Secretary of Defense for Research say he was reducing the bureaucracy. That is nice to hear because that saves money, and you are taking it from the administrative side.

Are we going to have a problem with increasing bureaucracy in your department because of your effort to fight drugs, or are you going to have a streamlined effort——

Mr. DUNCAN. If you will excuse the humor, let me tell you how streamlined we were last summer. It was me and one deputy and he retired August the first. I now have two deputies in the DOD for drugs. The Secretary has approved an increase in my support staff, but it is still very, very small compared to any other comparable operation.

Mr. MURTHA. So you have doubled your staff, and that is two?

Mr. DUNCAN. I now have two deputies, yes, sir; but they are very good.

OVER THE HORIZON—BACKSCATTER (OTH-B) RADAR

Mr. MURTHA. Think what you could do if you didn't buy some of those radars. Read the S&I Report. What worries me the most is us buying hardware which is out there that I really question its usefulness, it may divert the airplanes and so forth——

Mr. DUNCAN. Apparently you are concerned about the OTH-B. Let me address that.

My personal approach to these management kinds of decisions is not to buy expensive systems whether they are characterized as "gadgets" or otherwise. When the Secretary asks my opinion, I am not going to recommend that he buy expensive systems simply for the sake of a single mission such as the drug fight. We cannot afford it with the budget we have.

We are looking to utilize systems for more than one mission. OTH-B has applicability for strategic purposes, but it also has an important capability for the drug fight which other systems do not. That is why it is included there, not because we think it is exclusively the weapon to end the drug fight. It is very important to our detection and monitoring mission.

Mr. MURTHA. Mr. McDade.

Mr. MCDADE. Welcome.

You have asked funding for the OTH-B. What is the amount of funding requested?

Mr. DUNCAN. I think it is $214 million for procurement and $8.8 million for associated military construction.

Mr. MCDADE. Is that the total cost—it is not in the Air Force procurement budget where it used to be?

Mr. DUNCAN. Perhaps you weren't here when I discussed this earlier. One of the recent decisions was made by the Secretary who approved a consolidation of the counternarcotics accounts within the department into a single budget so that that budget can be more easily scrutinized by us and by the Congress. We have put the OTH-B in the drug budget, but it is still going to be managed by the Air Force.

Mr. McDADE. I am skeptical, too. What is this going to do that is so important? What is the footprint—how much land area is it going to cover? How much space is it going to watch for you?

Mr. DUNCAN. Let me answer by making a broad statement about what we are trying to accomplish.

In the detection and monitoring mission, there is no single system that solves all questions for all time. We are looking at a combination of systems that will fill in the gaps at various times.

For example, we cannot afford to fly an AWACS aircraft continually to perform the monitoring mission. There are other disadvantageous with other kinds of systems. We are looking to a combination of land based and sea based aerostats, AWACS, OTH-B, and other systems to develop a detection net that will be the most cost-effective.

I defer to the Chairman of the Joint Chiefs, and the Joint Task Force Commanders and the CINCs for opertional advice and then we work with the Comptroller to make sure we are getting the best buy for the dollar. OTH-B is part of that process. Is it exclusively a drug system? No, but it allows us a deep look into Mexico that other systems do not. It helps us to identify——

Mr. McDADE. So you are saying this will give you a deep look into Mexican air space that nothing else gives you?

Mr. DUNCAN. Yes.

Mr. McDADE. It will cover the entire country?

Mr. DUNCAN. Most of the country, and we believe that an aircraft cannot detect when it is being painted by the OTH-B. There are technical capabilities that can be used by the OTH-B that other systems don't give us.

It gives us a deep look, a band that we think, combined with other systems, is the most cost-effective way to go.

Mr. McDADE. Do you get any water coverage or boat traffic on it?

Mr. DUNCAN. No boat traffic.

Mr. McDADE. Low-flying airplane?

Mr. DUNCAN. Yes.

Mr. McDADE. How far off the deck?

Mr. DUNCAN. I don't know. We are satisfied that we can sort it out and make sense of it. The operators are convinced that it will do what we say it will do.

Mr. McDADE. You hear about a lot of these guys, who unfortunately used to fly for us in various capacities, who were caught by the cash involved in the drug flow. They know what system you are talking about better than you do, how to evade them, how to get around them.

Mr. DUNCAN. It is a 60-degree fan that goes out, and it goes deep across the Southwest border.

Mr. McDADE. Does that 60-degree fan cover all of Mexico?

Mr. DUNCAN. Depends on where it is located, but we think so.

Mr. McDADE. They don't use vehicles any more. They are using all kinds of ways, the old immigration methods to get it through. That is the primary way.

Mr. DUNCAN. It is true that much of the traffic has shifted from sea and air to airplanes that fly into Mexico and then land, and then it is brought by mules or regular transportation——

BEST AVAILABLE COPY

Mr. McDADE. Unless you have intelligence on the aircraft—suppose there are 10,000 landings a day—how many landings are there in Mexico?

Mr. DUNCAN. I don't know.

Mr. McDADE. All I am trying to get at is, when we had the previous hearing we were talking about tactical intelligence to enable people to act on the information that was gathered. If you just have a broad-brush picture of every plane coming in and out and not much else there, that is not much to act on, is there?

Mr. DUNCAN. If you have a broad-brush?

Mr. McDADE. Yes. Suppose you know there are 5,000 planes coming in and out; how does that help you with your National Guardsmen doing border patrol?

If you are a DEA guy trying to interdict people coming by vehicle, unless you are able to know with specificity what is going on, that broad brush is not going to help you.

What are your doing?

Mr. DUNCAN. We can sort our blips and combine that with intelligence from the law enforcement agencies. If you go see a C3I system, for example, that is run by the Customs Service in Miami or at March Air Force Base, you will appreciate what it can do. But, you have to see it.

Mr. McDADE. You didn't want to talk about hypotheticals, but assume that you know that your Customs or Coast Guard or somebody in the game, they know that there are three landing strips in Colombia, two in Peru and that is where some of the traffic emanates.

How is this going to help the guy who is at the border get the tactical intelligence he needs to make the arrest and stop the drug flow?

Mr. DUNCAN. Let's assume that the OTH-B is the system that is combined with an aerostat or that an AWACS detects a suspected aircraft. Assume further that we don't have human intelligence that makes us suspect the aircraft. It has no flight course and there is no reason to believe it is a legitimate flight. We can scramble an airplane to get a tail number.

Mr. McDADE. How many of those are in a given day, week or month in Mexico?

Mr. DUNCAN. Not many more because the traffic is shifting.

Mr. McDADE. You say if they don't have a flight plan, a lot of general aviation guys fly without plans. Maybe more in Mexico.

We are trying to find some indication of a number to justify this expenditure for this which is going to track deep into Mexico.

Mr. DUNCAN. Five to 1,800 miles.

Mr. McDADE. How many airplanes? At this point, you don't know?

Mr. DUNCAN. I can't tell you how many come up.

Mr. McDADE. You are not going to cover the northern coast of Colombia with the OTH-B; it doesn't go that far.

Mr. DUNCAN. Our in-depth defense concept will permit us to detect aircraft quite a distance from our borders through a combination of systems. The OTH-B we are looking at for 5 to 1800 miles into Mexico.

The question that I don't have the answer to is, is it worth it or not? Is it a success because we have established an effective detection and monitoring network that we no longer see airplanes flying with illegal drugs. I think that is success. That is what the Congress charged us to do.

Mr. McDADE. I don't know how you can talk about success when the country is being obliterated. There is no evidence of dimunition.

Mr. DUNCAN. I am speaking of the specific detection and monitoring responsibilities that the Congress gave us.

Mr. McDADE. So am I. Why is it cost effective for us to spend money on OTH-B because you can look all the way into Mexico. I don't see how that is going to result in tactical intelligence.

Mr. DUNCAN. That is based on talking to every professional that we can talk to about what is the most cost-effective method. If it wasn't the OTH-B, we would be looking for another system to help us take on that mission. We assume that is what you want us to do.

Mr. McDADE. That is the reason we are having these hearings, trying to figure out if there is a cost-effective way to proceed.

We have information about the amount of drugs in Mexico that would make your head spin. We can't seem to find a way to stem the flow of it today even with what we are doing.

COORDINATION WITH LAW ENFORCEMENT AGENCIES

Mr. AuCOIN. Would the gentleman yield?

I am fascinated with the issue you raised about once something is detected, how it is passed along in terms of tactical intelligence for the pinch. I still haven't heard that answer.

Mr. DUNCAN. I'm sorry. I didn't hear the question.

Mr. AuCOIN. Mr. McDade was asking to describe how the use of this kind of sophisticated detection is passed along to a Border Patrol person or somebody in Customs or somebody on the law enforcement side in terms of tactical information that can lead to an arrest. I haven't heard you answer that question.

Mr. DUNCAN. I didn't realize it had been asked.

Basically the way the system works is the OTH-B system is part of the CINC-NORAD architecture. There are first-class communications between CINC-NORAD and the other CINCs and between the CINCs and the JTFs.

So, if a radar system picks up, detects something, there is good, continuous, ongoing communications using various forms between CINC-NORAD and the tactical guy at the local level. As radio communications and other forms of communication go back and forth, they can notify the appropriate—it would depend upon the facts—a Border Patrol or DEA team so that the law enforcement team can be where we anticipate that the aircraft is going to come down.

COMMUNICATIONS INTEGRATION

Mr. AuCOIN. Can a P-3 communicate with a patrol boat?

Mr. DUNCAN. Somebody complained about that and we are repairing that communication link. If you want me to say that all problems have been resolved in the C3I, no. Are they improving? You bet.

Mr. AuCoin. I am really intrigued with the line of questioning the gentleman is asking. The thrust that you are taking, Joe, is detection is one thing, but if you plus up all the numbers in terms of spending on the detection side and we are short on the communications side, it doesn't do us a lot of good. That is what I think your line of questioning to be and I agree with you.

Mr. McDade. Our understanding is that this links with NORAD?

Mr. Duncan. Yes, sir.

Mr. McDade. But it doesn't link with anybody in the interdiction phase. Is there money in the budget to link the system into DEA or anybody down the line?

Mr. Duncan. CINC-NORAD can communicate with the law enforcement agencies through the Joint Task Forces and the other CINCs, and the CINC does so on a regular, ongoing basis.

Mr. McDade. The CINCs aren't involved in arresting people.

Mr. Duncan. On a daily basis, our Joint Tasl. Force commanders——

Mr. McDade. Who talks to the guy, this links back into NORAD, and we are trying to pick up somebody who is coming across the border in Mexico illegally bringing drugs; what is the link to that guy? You could pick up the phone I suppose.

Mr. Duncan. There are various forms of communication between the CINC-NORAD and the C3I centers, and the Joint Task Force commanders.

Mr. McDade. Are you hooked into DEA's communications systems out at NORAD?

Mr. Duncan. Yes.

Mr. McDade. There is money in the budget to do that? Our information is that there is a gap there.

Mr. Duncan. If you are asking if in the C3I system, do we have perfect communications at all levels, no.

Mr. McDade. We are all in the room in order to try to work on a problem. If you want to get cute and say, are we perfect, I know you are not perfect.

Mr. Duncan. We believe it will work, yes, sir.

Mr. McDade. How much money is in the budget to make sure this link in NORAD is with the centers to make sure you arrest people?

Mr. Duncan. In my prepared statement there are two charts. One is a financial summary, and it shows C3I integration, $56 million is proposed for fiscal year 1991. There are two charts, right after page 38.

Mr. McDade. Figure 1?

Mr. Duncan. Figure 1, yes, sir, under fiscal year 1991.

Mr. McDade. C3 integration.

Mr. Duncan. Fifty-six million dollars, yes, sir.

Mr. McDade. Fifty-six million dollars is going to buy what?

Mr. Duncan. Remember that we developed a master plan, and an implementation plan and we are now buying systems that help communicate. We are improving the systems so law enforcement agencies and our forces can talk to each other. That is what the money is going for.

Mr. McDADE. As of today there is no direct link to the people who would be on the border and their communication systems receiving the information from OTH-B fed back into NORAD?

Mr. DUNCAN. There are direct communications, yes, sir.

Mr. McDADE. Take a look at that and give us the specifics.

We have had a lot of systems that have not been interoperable. We don't want that to happen assuming we agree that you are cost effective on the OTH-B, assuming we are going to appropriate the money we want to make sure that it is going to get down to the guy making the arrest.

Amplify for the record if you need to.

Mr. DUNCAN. I will try to give you a hypothetical situation as to how it would work.

[The information follows:]

Operationally the OTH-B is a deep-look, long range air surveillance radar which provides early warning and tracking of the air approaches to North American. In the counternarcotics role, it could be tasked to track a special interest target based upon an informer's tipoff. Once detected the OTH-B would pass the track information to the NORAD Sector Operations Control Center (SOCC). This track information would be then passed through ADNET to the JTF and C3I, in the case of the Caribbean that would be JTF-4 AND C3I-East. JTF-4 would task other DoD assets (AWACS, for example) to assist in monitoring the target, while C3I-East would task the interdiction asset (Customs airtcraft) to intercept the target as its intent and final destination are determined.

Mr. McDADE. On the OTH-B, we would like that fleshed out so we feel more comfortable on how that is supposed to work.

Thank you, Mr. Chairman.

FINANCIAL RESOURCES

Mr. DICKS. Mr. Secretary, you can tell that there is great interest in what you are doing. Let me ask you a question.

I am looking at your chart on your financial summary and it says DOD interdiction has dedicated base lines and then you have got flying hours: OPTEMPO, $71.8 million in fiscal year 1989 up to $181.4 million in fiscal year 1990 and a request of $227.2 million in fiscal year 1991. Below that you have got restored detection and monitoring and there was no money in 1989, but there is $72.3 million in 1990 and zero money in 1991.

Can you explain that?

Mr. DUNCAN. This one, sir, we had to go back to the Services on the $72.3 million. Essentially Congress had earmarked certain programs and in order to go ahead and conduct the detection and monitoring mission, we had to go back to the Services and say, "Cough it up." This is why it is listed there separately for fiscal year 1990.

We are not anticipating that would happen in the next budget.

Mr. DICKS. How do you feel about this program overall? This is an area that is always sensitive for the Defense Department being involved in what some would characterize as law enforcement activities, and there has always been a concern in the Congress and the country about the distinction between the two.

How do you feel about the way this plan is evolving and the growth in the budget at a time when all of us recognize that this is a crucial national priority, but at a time when the defense budget is coming down and everything competes against everything else.

I am a little nervous that this growing very fast and that maybe we are going to wind up throwing money at problems rather than having a thoughtful growth in this program.

We are jumping from $284 million in fiscal year 1989 to $446 million, and then—actually it is more than that, $438 million in fiscal year 1989 to $877 million in fiscal year 1990 to $1.2 billion in fiscal year 1991. That is pretty big growth.

How do you feel about this overall?

Mr. DUNCAN. I recognize fully that reasonable people can disagree about whether the Armed Forces should be involved and to what extent. It is my job to implement the guidance of the President and the Secretary, who have been very clear that we shall be involved.

We are very careful to prevent this from becoming a situation where we are throwing money at a problem. We have some of the tightest budget people I have ever met looking over my shoulder and helping me on this. We are trying to make the best possible hard-nosed decisions we can about how we perform not only the three statutory missions, but also the President's guidance on the National Drug Strategy in the most sensitive way.

We are sensitive to the fact that the Armed Forces are not law enforcement agencies. It is a complex problem that we can not solve by ourselves. We think the Armed Services can make an important contribution, and we want to make it in the most cost-effective way.

INVOLVEMENT OF PERSONNEL

Mr. DICKS. How do the military people feel about this program? Is this something they feel that they wish were not being imposed upon them?

What reaction do you get from the CINCs and uniformed military personnel?

Mr. DUNCAN. I am reluctant to speak in absolutes and to presume to say how all military people feel, but as a general proposition, my sense is that people in uniform are just as outraged as people in the congressional districts about the drug problem. With the advent of President Bush's Administration, the President said that we are going to employ all the tools at hand including the Armed Forces. The Armed Forces were looking to see how much civilian leadership there would be and what that leadership was saying. As I talk to units, again I hate to speak in broad generalities, but generally speaking, there is a great sense of enthusiasm for the mission.

I have heard the Commander in Chief for NORAD, for example, say there is an extra zest in the young people who come to work in the morning who still have the very heavy responsibility to be aware of the possibility, whatever the geopolitics of the world situation, of intercontinental missiles coming over the North Pole. Now they have another enemy to look for that may involve low-flying, slow-flying aircraft carrying drugs across the borders. That is an exciting challenge.

The Guardsmen are uniformly enthusiastic. I ask a lot of questions about how the drug mission is affecting readiness. I am told by most of the military leaders that this is a positive thing because most of the work is being done over and above their military training in the case of the National Guard.

A recent comment by a law enforcement official is instructive. He said that one of the things that the Armed Forces bring to the

drug fight which his agency didn't anticipate is enthusiasm. He said that his agency had been fighting this battle for a long time without winning it. The Armed Forces bring a very mission-oriented energetic approach to any kind of problem, and that has sent a wave of new enthusiasm out among a lot of law enforcement agencies.

How we measure that in dollars, I don't know, but we are making a contribution. The issue of whether we are making the right contribution is ultimately a question for the Congress and the American people.

COORDINATION AMONG AGENCIES

Mr. DICKS. Do you feel pretty good about your part of the program and you feel that there is enthusiasm among the people that are assigned to this. How is the rest of the program doing?

You represent $1.2 billion of a $10 billion government. Is there pretty good coordination at the top of this whole effort?

There has been a lot of talk that the drug czar, Mr. Bennett, hasn't been given the authority that he has got to have to be able to get DEA and the various agencies to work with him, that there is still a lot of resistance and that we still don't have the kind of leadership at the top of this program that we really need.

How do you respond to that concern?

Mr. DUNCAN. I can't respond for Mr. Bennett. I can tell you my own personal experience is that even in the case of the role of the Department of Defense, there was considerable concern by some of the Federal law enforcement agencies about what our drug missions mean. I didn't know how to resolve the problem. I never had this responsibility before. So, I invited several law enforcement agencies over and we sat down and talked about what DOD can and can't do.

I don't want to draw too broad an analogy, but we find that as we work together, as the operators at the professional tactical level work together, and we get to know each other's problems, many of the problems disappear because of improved communications and the experience gained in working with each other.

There have been at different points in time different kinds of coordination problems, and they will continue to occur. But, I believe that the coordination is improving. Everything from the establishment of our new Border Interdiction Committee to just having people work together.

Those problems have not surfaced to my level. We do meet regularly in an attempt to anticipate them.

Mr. DICKS. Who do you coordinate with?

Mr. DUNCAN. Just this week I met with what is called the Core Group of the Supply Reduction Working Group. I met with people like Assistant Secretaries of other departments representing Transportation, Treasury, transportation for Coast Guard, Treasury and so forth. My deputies meet on almost a daily basis with all of the other agencies and departments. Those are the formal meetings. In addition to that, we meet informally as much as possible. I went to Jack Lawn's retirement reception because I worked very closely with him, in his position as head of DEA. Mrs. Halleck from Customs I have met with, with Admiral Yost. We talk in different

forums trying to improve communications. While that will always be a challenge, it is improving.

Mr. AuCoin. Will the gentleman yield?

Mr. Dicks. Yes.

INTELLIGENCE COORDINATION

Mr. AuCoin. On the question of coordination, this committee held a hearing at the Code Word level dealing with the intelligence aspects of this. I find it hard to believe that there is the kind of coordination that you are suggesting to Mr. Dicks, while at that hearing involvling some considerable number of Code Words, there was only one person from your organization who was cleared to attend that hearing. For that matter, it is my understanding that Mr. Bennett himself was not cleared to attend that hearing. So I think that raises significant questions about the kind of coordination Mr. Dicks is driving at.

Why is only one person in your organization cleared at that level for the pass-along of high-level intelligence down to the tactical intelligence that leads to the arrest?

That is not coordination if so many people are out of the loop, because of the compartmentalization of sensitive information.

Mr. Duncan. Until I came to the hearing today, I was unaware of that situation, so I don't know. I have not had any problems that I am aware of.

I sat in with the Secretary this week on a classified matter. He has his own intelligence advisers. I have not usurped their responsibilities to the extent that I need to know——

Mr. AuCoin. If you are not cleared, it shouldn't be a surprise.

Mr. Duncan. I am not aware that I am not cleared and I am not aware of the situation that you are talking about.

Mr. Murtha. Are you cleared for Code Word intelligence?

Mr. Duncan. Yes, sir.

Mr. Murtha. Code Word?

Mr. Duncan. I believe so. Understand, my job is not to become the intelligence adviser. I would look to ASD for C3I.

Mr. AuCoin. Why weren't you at the hearing? I understand that our committee invited everyone in the intelligence community as well as Defense to be at the hearing.

Mr. Murtha. We think we did. The only excuse is that, we understood, was that we didn't have anybody that was cleared for that particular Code Word.

Mr. Duncan. I apologize for the department if one is necessary. As we receive invitations for hearings, if it involves the counternarcotics issue, but some other area, for example, an issue involving an Andean country, I will meet with Paul Wolfowitz or the Assistant Secretary and we would decide who was the most appropriate for the department to attend.

Mr. Murtha. A lot of the information was Defense Department information.

Mr. AuCoin. Mr. Chairman, it was my understanding there was one general in this sphere, Mr. Duncan's sphere who was cleared to be at that hearing, which I think gets at the communications and coordination problems Mr. Dicks was talking about.

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Mr. MURTHA. I think you ought to look at your clearance problems. You have 36 people according to your statement in your shop. You ought to look at that.

Mr. DUNCAN. Be happy to.

Mr. MURTHA. Mr. Miller.

DOD COORDINATION RESPONSIBILITIES

Mr. MILLER. Thank you, Mr. Chairman.

Mr. Duncan, in your prepared statement you talk about your relationship with other principals within the Office of the Secretary of Defense in the formation of policy for antidrug programs. How many people would that be and can you tell us their responsibilities? Also, going beyond the formation of policy, do they stay right with you and how many people would it be and what would their direct obligation be?

Mr. DUNCAN. When the Secretary organized the department and created, enlarged the Office of the Drug Coordinator, he made it clear that my responsibilities would not include taking over the line responsibilities of the Under Secretary for Policy or the Assistant Secretary for ISA or International Policy.

We have our own separate statutory and policy responsibilities. My job is to coordiante the views of everyone in the department and give my advice to the Secretary. To the extent that it involves an area that it is outside my scope of expertise, I bring in other policy makers. The goal is to make sure that advice gets to the Secretary on anything relating to counternarcotics.

If it is an issue that might involve an Andean country, certainly I would be involved, but I would make sure that the Secretary heard the views of the appropriate Assistant Secretary of Defense and depending upon the nature of the issue, it might involve any number of Assistant Secretaries of Defense or the Service Secretaries.

I make sure that the Secretary hears all views. I coordiante the advice and hopefully come up with a consensus. I make sure he hears the views of the other Assistant Secretaries.

PANAMA MISSION

Mr. MURTHA. Would the gentleman yield?

Were you aware of the Panamanian invasion well in advance, any advance notice at all?

Mr. DUNCAN. Well, in a formal way or informal way?

Mr. MURTHA. In a formal way?

Mr. DUNCAN. No, sir.

Mr. MURTHA. The reason I asked that question, we have had reports there were service people involved in the invasion force who brought drugs back. I checked this out and found out that was not true.

Do you have a program for the people who go in in an invading force for them to be indoctrinated so they wouldn't get involved in drug trafficking or is that just an ongoing program inside the Service itself?

Mr. DUNCAN. I would prefer to characterize that as ongoing. I also checked into that incident. I understand that it was limited to

as few as two individuals, neither of whom had been involved in the forces that we landed on December 20.

Mr. MURTHA. I can understand it, if we have troops stationed there, you are going to get troops involved.

I put a piece in the record of the House because I was upset that the press reports were inaccurate.

You don't feel it is necessary to do anything when an invading force goes in in a situation like that?

Mr. DUNCAN. I am uneasy with the characterization of never, but given the quick response that was required there and the realistic possibilities for doing that, I think the better approach is an ongoing process to help educate our Service members about not just our "zero-tolerance" policy, but how important it is for us to monitor that very closely.

Mr. MURTHA. Mr. Miller.

SATELLITE COMMUNICATIONS

Mr. MILLER. Mr. Secretary, you are using high frequency satellite communication, as I understand, and apparently you are furnishing messages to other areas, other people at other departments or directly to the drug czar, so to speak.

Do I understand that you are responsible for that satellite communication?

Mr. DUNCAN. Well——

Mr. MILLER. I am thinking about whether you are furnishing the dollars that are in, say, the 1991 budget that we are considering now and paying for that from other agencies. It is mentioned somewhere in your testimony.

Mr. DUNCAN. You are concerned that we are paying for satellite communications?

Mr. MILLER. I am wondering how the dollars are used and whether you are paying for satellite communication directly for the drug eradication.

Mr. DUNCAN. Excuse me, sir, I think you are looking at the bottom of the page, super-high frequency or at the top, very high frequency, where we were supporting buying the radios. We are buying radios with some of the funds. You are talking about the satellite communications terminals where the DCA signed a contract with the corporation identified there, and the question is, are we paying for that?

Mr. MILLER. Are you paying for that, yes.

Mr. DUNCAN. We are sharing in that with the law enforcement agencies.

Mr. MILLER. And purchasing the radios as necessary?

Mr. DUNCAN. We have been doing that. At the top we are talking about buying radios that were given to the FBI, yes, sir.

CROP ERADICATION

Mr. MILLER. What about crop eradication? Can you give us a little more detail as to how you are involved there? What equipment is used—planes, whatever is used other than planes, and perhaps satellite communication program? Is it effective? Do you feel

that we are or the people involved are able to remove the crop on the ground before it has a chance to be moved out of the country?

Mr. DUNCAN. You are not talking—we are doing a lot of crop eradication in the United States.

Mr. MILLER. I wanted to get to that too, but I am thinking about crop eradication in other countries.

Mr. DUNCAN. There are different views within the Federal Government on the effectiveness of crop eradication as such.

To the extent that we are asked to be involved in that in a foreign country, that would be worked through the embassies. They have members of the DEA and Armed Forces, and if that was the decision of the Federal Government, we would do our part.

We are not in the business of making decisions of whether to or not to by ourselves. Within the United States we do. For example, within the State of Hawaii and certain other states, the Adjutants General of the National Guard have used the National Guard to eradicate crops. We are using other forces to go in to eradicate.

We have pretty large marijuana crops at different places, so we are doing that, yes, sir.

Mr. MILLER. Somebody must give you the information as to where they are located.

Mr. DUNCAN. Yes, sir.

AERIAL SURVELLIANCE

Mr. MILLER. You have planes that are flying over. That is fairly expensive.

Mr. DUNCAN. We do have aircraft in several locations that go out for aerial surveillance of marijuana and other kinds of crops, yes, sir.

One of the things that I think adds real flexibility to the governor's plans for the Guard is that if we don't do it right one year, perhaps the adjutant can find a better way to do it next year as he learns to work with the law enforcement agencies.

If State A has a successful operation that has perhaps not been thought of by State B, we try to share that information on a regular basis.

I think we will get better at surveillance of potential crops to eradicate, but it is an ongoing program. We are spending some of the funds for that, yes.

SUBSTANCE ABUSE TESTING

Mr. MILLER. Another subject, the substance abuse programs that you have in the military. Can you give us a little background on the testing—how many have been tested and how frequently, and the reliability of the tests?

Mr. DUNCAN. The program goes back to the early part of the 1980s. We are very proud of the program. One of the truly successful programs anywhere has been our "zero-tolerance" policy. We have had an 82 percent decline in drug abuse within the Armed Forces since 1980.

I was in Reserve Affairs not long ago in Germany. I went to the Mark Twain Elementary School to see the new DARE program being implemented there. That is a very successful program, an

education program to help youngsters understand drug abuse. I was told that some of the youngsters bring their parents in to see the program.

We continue to push the "zero-tolerance" policy. We conduct random drug testing. I have been tested, the Secretary has been tested. It is "no-notice" testing. We believe in it. It has been very successful for the Armed Forces, but it is a situation where we have to continue to enforce the policy on a regular, ongoing basis to make sure we have a drug-free Armed Forces.

Mr. MILLER. Do you find, because you had mentioned being overseas recently, do you find that the drug problem is worse with American soliders overseas or in the United States?

Mr. DUNCAN. I really don't know the answer to the question. I will be happy to inquire into it for you.

Mr. MILLER. If you could give us some information for the record on that, I would appreciate it.

[The information follows:]

The 1988 Worldwide Survey of Substance Abuse and Health Behaviors Among Military Personnel reported that reported drug use during the past 12 months in Europe was only slightly higher than in the United States, 9.9 versus 9.0 percent.

Mr. MILLER. Thank you.

Thank you, Mr. Chairman.

Mr. MURTHA. Mr. AuCoin.

INTERAGENCY COMMUNICATION

Mr. AUCOIN. Thank you, Mr. Chairman.

Going back to the C3 expenditures and the line of discussion that Mr. McDade had with you that I jumped in on a few minutes ago, you indicated you have far less than a perfect system in terms of interagency communication.

What I would like to know is, how much of the problem that is out there that you—no one asked you to quantify it today, but how much of the problem that is out there today will be fixed by the $56 million that you referred to for C3?

Mr. DUNCAN. Sir, I am not sure if you have before you—whether you have my prepared statement. I also don't know if you have the Budget Justification that we sent over. We explained in that document that that $56 million is for the enhancement of the operational effectiveness, but especially interagency communications, including the final phase of our procurement of the communications capability linking various agencies and operational facilities.

We have invested a great deal in that effort. Those are the final expenditures of what we started in fiscal year 1989.

Mr. AUCOIN. That fully funds the needs that you have?

Mr. DUNCAN. The DOD part of that, yes, sir. That will complete our procurement.

Mr. AUCOIN. Does that not still leave some connection problems with the other agencies that have to interface with DOD?

Mr. DUNCAN. I guess I don't know the answer to the question. I would recommend that we continue to monitor that closely. At the end of the completion of the $56 million we will assess where we are and determine what needs have yet to be met. I can't tell you today. We have a definite procurement plan and this is the final phase of it.

Mr. AuCoin. You are saying that is what you need for DOD to be able to speak to other agencies?

Mr. Duncan. Yes, sir. That was our responsibility.

Mr. AuCoin. What you can't say today is what is needed for other agencies to be able to hear what you are saying to them?

Mr. Duncan. I can't assess today what might still be that nature or imagnitude of the communications problems at the end of 1991.

Mr. AuCoin. You can understand and appreciate the importance of the answer to that question, but if DOD can speak but the enforcement agencies can't hear, that doesn't give us a very big dent on the war on drugs, does it?

Mr. Duncan. Broad generalities in the discussion of a very complex problem cause problems. We have some real makeshift networks out there so people can communicate with law enforcement agencies. We hope to continue the communication with improved systems—

Mr. AuCoin. You're talking about DOD?

Mr. Duncan. Yes. We have first-class professionals who are jury rigging——

Mr. AuCoin. Give me an example of that.

Mr. Duncan. I could get you one for the record. There are systems that work but they are not systems——

Mr. AuCoin. Fifty-six million dollars is going to fix that?

Mr. Duncan. We hope and believe it will.

[The information follows:]

Coast Guard cutters operating in the Caribbean were having difficulty communicating with JTF-4, C3I East, Coast Guard District Seven and other facilities due to the unreliability of the available HF radio systems. There was a follow on problem in making land-line patches from the HF signal.

In the short term, the Army placed portable UHF satcom terminals secured by Vinson crypto on the cutters and supplied Army communications technicians to operate the equipment. In addition, portable systems and operators were placed in C3I East and the Coast Guard Greater Antilles section in Puerto Rico. The temporary fix allowed the Coast Guard cutter to communicate by satellite thereby resolving the communications problem.

The long term solution is that the satellite communications sub-working group of the Communications Interoperability Working Group (CIWG) is currently identifying satellite requirements for all the law enforcement agencies. In the future it is expected that satellite terminals secured by the new Advanced Narrowband Digital Voice Terminal (ANDVT) will be installed on the cutters thereby eliminating the need for the jury rigged system.

Mr. AuCoin. We don't know how many agencies out there are going to be able to hear DOD and its communications?

Mr. Duncan. We gave the Congress, pursuant to statute, a very detailed master plan.

Mr. AuCoin. Is that the National Telecommunications Master Plan?

Mr. Duncan. Yes, sir.

Mr. AuCoin. That is an interagency master plan?

Mr. Duncan. Yes, sir.

Mr. AuCoin. Does the plan for drug enforcement address the issue of interagency communications?

Mr. Duncan. Yes, sir, it is an architecture. It explains how we get there from here. It is a plan, a blueprint, our best judgment.

Mr. AuCoin. What does that say in terms of total dollars needed to get from here to there?

Mr. Duncan. I am not sure that it includes a dollar figure as much as it comes up with an architecture of how to accomplish it.

Mr. AuCoin. When is it expected the architecture would be completed, designed and determined?

Mr. Duncan. Well, our plan as we understand it is——

Mr. AuCoin. When you say "our"——

Mr. Duncan. DOD.

Mr. AuCoin. I am talking about the master plan which includes DOD, as I understand it, and all other agenices.

Mr. Duncan. DOD through fiscal year 1991. The law enforcement agencies then pick up and start improving the system. This is our share.

Mr. AuCoin. That is the National Telecommunications Master Plan for Drug Enforcement, that is only DOD?

Mr. Duncan. No. Excuse me for going back to 1989, but in 1989 we were given the statutory mission to design for the entire Federal Government, an interagency communication system that would provide for secure, interoperable communications. We have designed it and this is the architecture for it. This part of the funding would be the DOD contribution to the resolution of the problem.

After fiscal year 1991, we will have completed our procurement phase and at that point, the law enforcement agencies would step in and continue to pursue whatever is necessary to make the system work.

Mr. AuCoin. I would like a response for the record that indicates what is provided for in the budget for the other agencies to be full-up as equal players in this master paln.

I know that is probably beyond what you can do.

You are designated as a point player on this architecture, so you should be able to get that information and give it to us for the record.

Mr. Duncan. We will do that.

[The information follows:]

The Drug Enforcement Telecommunications Implementation Plan (DETIP) includes approximately $580 million worth of procurement requirements, a portion for which, DoD has programed through FY 91 as follows:

Funding Requirements ($ in Millions)

Activity	FY-88	FY-89	FY-90	FY-91	FY-92	Beyond
Agencies	$39.1	$28.1	$24.5	$28.2	$48.1	$256.5
DoD	5.4	59.1	25.1	51.3	0	0
Totals	44.5	87.2	49.6	79.5	48.1	256.5

For FY 92 and beyond, it is the responsibility of each participating agency to submit their respective budget requests to meet their portion of the DETIP requirements.

OTH-B RADAR

Mr. AuCoin. Let me move to over-the-horizon Backscatter radar. Funds requested in this account are for the central section of the OTH-B radar, prospective locations are Minnesota, North Dakota, somewhere in that region of the United States.

Is the drug interdiction role for the OTH-B radar considered the primary role of the future central sector as opposed to the earlier primary role of detection of sea launched ballistic missiles?

Is drug interdiction supplanting the detection of sea launched ballistic missiles as the primary role of that OTH-B radar?

Mr. Duncan. I see a dual capability, a system with enormous strategic capabilities. We are trying not to have a separate system dedicated for the drug role, but to use the system for an important part of our detection and monitoring mission.

One of the things I try to do is minimize costs by looking for systems with dual capability. We need this system for strategic purposes, but because it has capabilities like the deep look into Mexico, it is something that we see as very important to the detection and monitoring mission.

I would be reluctant to characterize it as the primary mission. It is a very important mission. I suppose the Chairman of the Joint Chiefs would have a view about primary versus secondary, but I see it as a very important part of the mission; yes, sir.

Mr. AuCoin. Maybe I am mistaken, but I am not sure that funds are provided or requested in the Air Force portion of the budget for this as they had been in previous years.

Is that an accurate impression on my part?

Mr. Duncan. I believe that is accurate.

Mr. AuCoin. Who is going to manage the program, then?

Mr. Duncan. The Air Force. The Secretary has approved—at congressional urging—a management approach that would consolidate the counternarcotics activities of the entire department into my office as coordinator.

Having said that, and that it would be reflected in the counternarcotics budget because that is one of the purposes, the Air Force would still manage the program.

We didn't want to show it in two places, and it appears in the counternarcotics budget since we see it as an important part of the detection and monitoring mission.

Mr. AuCoin. Given this program's past problems of schedule slippage and cost overruns, can you give the committee any assurances that the movement of these funds into the drug interdiction accounts will result in program management that is more effective than has been the case in the past?

Mr. Duncan. It is still going to be managed by the Air Force. Is is going to appear——

Mr. Murtha. The same managers as the ones managing with the cost overruns and program slippages?

Mr. Duncan. Not day to day by my office. We are going to reflect in our budget and manage it from the broad perspective, but the day-to-day management will still be done by the Department of the Air Force.

Mr. AuCoin. Along the border, assets like aerostats, ground surveillance reconnaissance missions, et cetera, I don't understand the need for the OTH-B mission for drug interdiction.

Why is that a necessary missing element?

Mr. Duncan. I think it would be helpful to the committee if I could have an operational person discuss it.

Basically, it gives us a capability for a deep look across the Southwest border, a range of between five to 1800 miles, depending on different natural characteristics. It also has the capability to detect aircraft where the pilot will not know he is being detected.

It gives us the capability to corroborate information that we are already receiving from other systems. There is not a single system that will solve the problem. That is why we are using an in-depth concept using AWACS aircraft, aerostats, sea based and land based, OTH-B to give us the best low cost-effective monitoring system.

This is our best judgment based on advice of people who have to make it work and balancing operational effectiveness against the cost.

Mr. AuCoin. This is a new mission for this kind of radar, drug interdiction?

Mr. Duncan. As a department, we have several new counternarcotics missions.

RELOCATABLE OVER-THE-HORIZON RADAR (ROTH-R)

Mr. AuCoin. Has the Department considered other radar systems like the Relocatable Over-the-Horizon Radar?

Mr. Duncan. The Navy system; yes, sir. My personal view, is that there is no final answer on this. On an ongoing, regular basis we will be constantly challenging the cost-effectiveness of every part of the system that we use to see that if it still the best system.

Mr. AuCoin. Could ROTH-R possibly be more cost-effective?

Mr. Duncan. I don't know if it is more cost-effective for combining the missions. I see there is a management responsibility to constantly be asking that question.

Mr. AuCoin. Thank you, Mr. Chairman.

AEROSTATS

Mr. Murtha. Let me just ask in one other section, Mr. Secretary, about the aerostats. The aerostats, as I understand it, you put them up and that does divert traffic. But the minute the weather goes bad, you have to take them down?

Mr. Duncan. Yes, sir.

Mr. Murtha. Obviously, people dealing in narcotics know that—do you cover the area with something else?

Mr. Duncan. We haven't procured all the aerostats that we intended to purchase. We were building a radar fence around there.

Because AWACS is so expensive, because you have to take down aerostats when there is weather to design a system to fill in gaps in unpredictable spurts where people cannot see a pattern and see what is the best price.

Mr. Murtha. How soon before you have a fence built, and how much would that cost?

Mr. Duncan. Ninety-two. And, of course, the aerostat program is being managed by Coast Guard and Customs. They are providing the O & M funds, et cetera.

They have asked us to take over that program. We are considering that request and it is being worked within the department now. I am waiting for advice from professionals in the department as to their view.

Mr. Murtha. Do you think the aerostats are an effective deterrent?

Mr. Duncan. Well weighed against the cost, they are very attractive to us. We have had some problems. We are evaluating that program on an ongoing basis.

Mr. Murtha. Is there a benefit to installing UHF and VHF radios on aerostats?

Mr. Duncan. I am advised by my staff that it is something that

they are looking at. I am not prepared to give you the answer today.

Mr. MURTHA. Answer that for the record, and thank you very much, Mr. Secretary.

[CLERK'S NOTE.—Classified insert removed.]

Mr. MURTHA. Mr. Hefner and Mr. Livingston have some questions for the record.

[CLERK'S NOTE.—Questions submitted by Mr. Hefner and the answers thereto follow:]

AEROSTATS

Question. You indicated the large amount of flying hours that will be expended in this effort. You also addressed the aerostats and their use in this endeavor. How effective are these aerostats? What are their shortcomings.

Answer. DoD considers the aerostat program to be a cost effective means of detecting air smuggling activities. A generally accepted rule of thumb places the cost of operating an AWACS aircraft at approximately $3,000 per flying hour vice approximately $600 per hour for the cost of aerostat operation. The system's shortcoming is that they are affected by severe weather and are not operated during periods of high winds, lightning, or freezing precipitation. Generally, smuggling activity is also suppressed by severe weather.

Overall, the availability of the aerostat system is about 70 percent based on empirical data obtained for FY 1990, through March.

RADAR EQUIPPED AIRSHIP

Question. The Department has been evaluating the concept of a radar equipped airship to provide a less expensive platform to provide a long term coverage for the fleet. It seems to me this may have considerable utility in this war on drugs. I've been told this is 5 to 10 times cheaper to operate than the fixed wing assets currently being used. Because it is manned it has the flexibility to come and go as needed. It can stay airborne for 5 to 10 days at a time. Have you looked at this concept? Would you look into this and get back to the committee?

Answer. The Navy Department is investigating platforms which will provide an aerial and maritime detection system which is mobile and can be deployed for extended periods. The review is in its formative stages, but airship utility is being actively explored.

[CLERK'S NOTE.—End of questions submitted by Mr. Hefner. Questions submitted by Mr. Livingston and the answers thereto follow.]

AEROSTATS

Question. Last year's Defense Authorization Conference Report called for the accelerated completion of the Gulf Coast network of aerostat surveillance systems. What is the schedule for completion of the aerostat network and what steps is the Department specifically taking to accelerate completion of the network?

Answer. The network was originally scheduled to be completed

by later 1992. The U.S. Customs Service in their role as program manager has determined that design flaws found in the systems assembled by GE and installed on the SW border must be resolved before contractual negotiations can continue. Coast Guard, Customs and DoD representatives will be meeting to assist the Customs Service in their determination of the best course of action.

Question. As I understand, Customs and other Federal agencies do most of the "contracting authority" for the aerostat surveillance systems. However, a number of the land based systems and the semisubmersible aerostats are funded by Defense at the direction of Congress. Provide for the record a chart or diagram of all the aerostat systems (funded or proposed to be funded), site locations, type of aerostat system used for each location, funding source for each system, contracting authority for each system, and the year each system was or will be funded and deployed.

Answer. See the following charts.

SOUTHWEST BORDER

FUNDING SOURCE	SITE	SYSTEM CONTRACTOR [1]	DELIVERY	OPERATIONAL	ACQUISITION COST in MIL [2]
USCS	FT. HUACHUCA	TCOM	OCT 1987	JUN 1988	$ 21.6
DoD	DEMING	TCOM	OCT 1988	NOV 1988	18.0
DoD	YUMA	TCOM	DEC 1988	MAY 1989	18.2
DoD	MARFA	GE	JUN 1989	Note 3	16.5
DoD	EAGLE PASS	GE	SEP 1989	Note 3	16.2
DoD	RIO GRANDE CITY	GE	NOV 1989	Note 3	12.7

Note 1 USCS is contracting authority for all sites.
Note 2 Cost figures includes site preparation, system, and auxiliary support equipment costs.
Note 3 These 3 systems are grounded due to design flaws in the tether and monitoring systems.

CARIBBEAN SYSTEMS

FUNDING SOURCE	SITE	SYSTEM CONTRACTOR [1]	DELIVERY	OPERATIONAL	ACQUISITION COST in MIL [2]
DoD	HIGH ROCK	TCOM	JAN 1985	FEB 1985	Lease to buy agreement. Figures not available.
DoD	GEORGE-TOWN	TCOM	JUN 1989	DEC 1989	$ 24.2
USCS/PR	PUERTO RICO	GE	JAN 1990	SEPT 1990	$ 11.8
DoD	CUDJOE KEY	GE	SEP 1979	DEC 1980	$ 12.1
DoD	GREAT INAGUA	GE	FY92	FY92	$ 16.9

Note 1 USCS is contracting authority for all sites except Cudjoe Key.
Note 2 Cost figures includes site preparation, system, and auxiliary support equipment costs.

FIVE NEW SYSTEMS FOR THE GULF OF MEXICO

FUNDING SOURCE		TENTATIVE SITES	SYSTEM CONTRACTOR [1]	DELIVERY	OPERATIONAL [3]	ESTIMATED ACQUISITION COST in MIL [2]
DoD	-	HORSESHOE BEACH, FL.	TBD		Note 4	$ 13.7
DoD	-	MATAGORDA, TX	TBD		Note 4	13.7
DoD	-	MORGAN CITY, LA	TBD		Note 4	13.7
DoD	-	ALABAMA PORT, AL	TBD		Note 4	13.7
DOD	-	VENICE, FL	GE	AUG 1991	OCT 1991	

Note 1 USCS is contracting authority for all sites except Cudjoe Key.
Note 2 Cost figures includes site preparation, system, and auxiliary support equipment costs.
Note 3 Systems will be under the operational control of the Coast Guard
Note 4 System expected to be delivered and operational during calendar year 1992.

Question. Do all the aerostat systems, currently in operation and proposed for the future, have the capability of detecting air and surface traffic or targets simultaneously? Provide details. If not, why not? Provide for the record those current and proposed systems (including site locations) that would not have this dual simultaneous capability).

Answer. All systems do not have a simultaneous air and surface detection capability. The following proposed systems will have this feature: Rio Grande City, TX; Matagorda, TX; Morgan City, LA; Alabama Port, AL; Horseshoe Beach, FL; Venice, FL; Great Inagua, Bahamas; Puerto Rico. The older systems at High Rock and Georgetown do not have the capability because the original Customs Agency contract did not specify the need for a simultaneous detection capability. The systems on the Southwest Border do not have a maritime capability for obvious reasons.

Question. As the funding source for many of these systems, what authority or direction does DoD or your office have in determining the capability of aerostat systems acquired by other Federal agencies?

Answer. DoD has limited influence since the contract was developed and implemented by the Customs Agency. DoD has assisted in site selection and survey, but since the Customs and Coast Guard provide operational control and support, we feel that DoD should defer to those agencies for policy and the establishment of Aerostat performance criteria. DoD is fully satisfied with the direction that Customs has taken the program, and in cooperation with the Coast Guard, will provide assistance in resolving the current contract performance problems involving the General Electric Corporation.

SEMISUBMERSIBLE AEROSTAT

Question. I understand the Navy has delayed, or is considering changing its acquisition strategy, of its first semisubmersible aerostat (SSA) funded by a Defense Appropriations reprograming fiscal year 1989. Is this accurate? Please provide details on the exact status of this project, its funding, and specific reasons for the delays or reassessment of this project by the Navy.

Answer. DoD's recent efforts to acquire and deploy a semisubmersible with an aerostat system has been deferred so that we might reexamine the operational requirements and derive a more capable and cost effective detection platform. This assessment is being led by the Navy and supported by JCS. Upon completion an expedited procurement program will be initiated. The reason for this reassessment were:

a. The capability of the proposed aerostat system to detect marine targets was limited.

b. The cost of the proposed aerostat system was atypical and far exceed the cost of a land based system.

c. The proposed semisubmersible operational capabilities did not meet the mission requirements as developed by the operational commanders.

d. An indepth analysis of the operations and maintenance cost revealed that they would be significantly higher than those proposed.

BEST AVAILABLE COPY

Question. Briefly describe the original acquisition strategy for this project and the consortium of contractors involved and their responsibilities.

Answer. The original intent was to provide funding support for an unsolicited proposal made by the Blue Sea Corporation of Houston, TX. The Navy was selected to act as contracting agent and program manager for the project, and the unsolicited proposal was approved for sole source acquisition based on urgency of need. Subsequently the semisubmersible proved to be a much more costly program than originally envisioned, with significant limitations in mobility and operational capability. It was determined to be prudent both technically and fiscally to terminate interest in the consortium's unsolicited proposal.

The semisubmersible proposal simply did not meet the mission requirements as developed by the operational commander. The Navy Department in conjunction with the Joint Staff is leading a review to identify and possibly acquire a suitable system.

Question. Does the aerostat system planned for the semisubmersible aerostats have the capability of detecting both air and surface traffic simultaneously?

Answer. The aerostat system which was planned for the semisubmersible did not have a dual detection capability. One of the reason for deferring this project was its limited ability to detect marine targets.

Question. What are the Navy's current or future plans, if any, and timetable for deploying a semisubmersible aerostat. Provide details.

Answer. DoD's recent efforts to acquire and deploy a semisubmersible with an aerostat system has been deferred so that we might reexamine the operational requirements and derive a more capable and cost effective detection platform. This assessment is being led by the Navy and supported by JCS. Upon completion an expedited procurement program will be initiated. The reason for this reassessment were:

a. The capability of the proposed aerostat system to detect marine targets was limited.

b. The cost of the proposed aerostat system was atypical and far exceed the cost of a land based system.

c. The proposed semisubmersible operational capabilities did not meet the mission requirements as developed by the operational commanders.

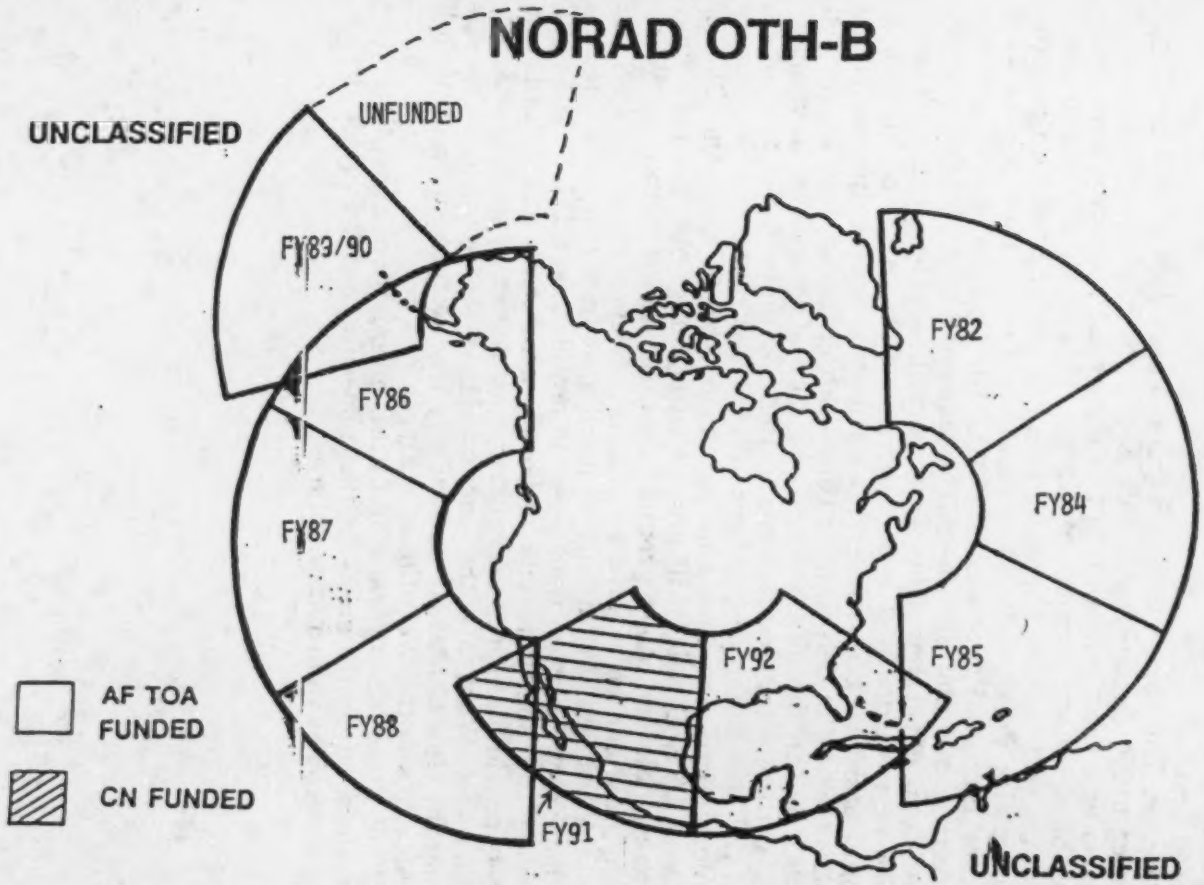
d. An indepth analysis of the operations and maintenance cost revealed that they would be significantly higher than those proposed.

OTH-B RADAR

Question. The DoD request also includes $242.8 million for the procurement of a sector of the OTH-B radar to be used in our drug interdiction efforts. What sector and specific area of coverage is the FY 1991 request going to fund?

Answer. The OTH-B sector to be funded in the FY 1991 DoD Counternarcotics Budget is found in the shaded area of the following figure.

NORAD OTH-B


UNCLASSIFIED
UNFUNDED
FY83/90
FY86
FY87
FY88
FY91
FY92
FY85
FY84
FY82
AF TOA FUNDED
CN FUNDED
UNCLASSIFIED

Question. Why was this sector, or geographic area, chosen to be funded first?

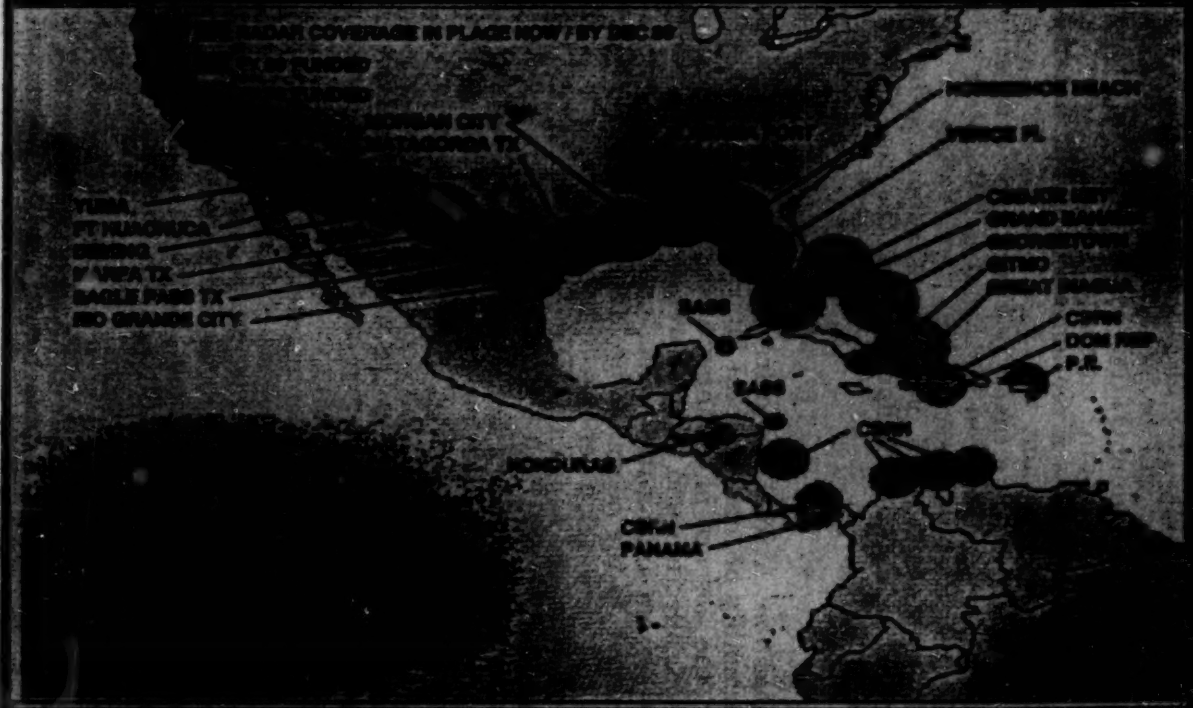
Answer. The threat from drug traffickers comes from a variety of geographic dirctions. Aircraft and ships can cover the Gulf of Mexico and the Caribbean, but DoD aircraft normally cannot violate the sovereign airspace of Mexico. This sector of OTH-B radar coverage will provide the most valuable contribution to the counternarcotics mission. It is consistent with the DoD Air Defense Master Plan and supports NORAD's Air Defense surveillance architecture and the air sovereignty element of NORAD's mission: This sector of OTH-B radar coverage will provide a deep look capability into Mexico and over a portion of the Gulf of Mexico. It should assist in discerning and monitoring transshipment points inside Mexico, in deterring or complicating ingress into the United States, and in the ultimate apprehension of smugglers. In conjunction with the tethered aerostats, the C3I centers, the new JTFs, and the Law Enforcement Agencies, OTH-B radar will help ensure border integrity against this pernicious threat. Over the Gulf of Mexico, OTH-B radar will provide surveillance of areas previously unobservable by other ground-based radars or aerostats. While these areas can be covered by airborne assets such as AWACS and E2s, the cost of using airborne surveillance in a wide area role on a 24 hour day, 7 days a week basis is prohibitive. OTH-B radar will provide the ability to cue airborne monitoring and interdiction assets providing for the cost effective utilization of these assets.

Question. What are the current plans for providing coverage along the Gulf of Mexico, particularly the western and central Gulf of Mexico and the West Coast of Florida?

What detection coverage and drug interdiction assets, including aerostats, currently exists in these specific areas? Provide details.

Answer. The information follows.

OBJECTIVE: TO DETECT & MONITOR AERIAL AND MARITIME DRUG TRAFFIC ENTERING THE U.S.



Question. Would there be any additional costs (in FY 1991 dollars) or implementation problems in providing OTH-B coverage to these areas of the Gulf of Mexico first?

Answer. There will be no additional costs or implementation problems in providing OTH-B coverage to the areas of the Gulf of Mexico before providing coverage over the Mexican border. What would be involved is a reorientations of the antennas to point to the southeastern sector.

In addition since a majority of airborne drug smuggling transit and usually terminate in Mexico, it is prudent to have OTH-B initially over the southwest border.

[CLERK'S NOTE.—End of questions submitted by Mr. Livingston. Committee questions submitted for the record and the answers thereto follow:]

INTEGRATED PLAN

Question. A final quote from the S&I report is that "the ready availability of funds, liberal interpretation of 'detect and monitor,' and the absence of an integrated plan to apportion DOD intelligence collection and analysis responsibilities have resulted in proposals from among the various commands for systems that may be excessive to the needs of the law enforcement agencies. Examples include: (1) development of large and expansive 'fusion' centers at all levels of the support DOD elements can lead to redundancy and confusion; (2) SOUTHCOM efforts to create a SOUTHCOM Command Management system utilizing funds designed for the counternarcotics program does not appear to be the most appropriate funding mechanism; and (3) CINCSOUTH's hard sell of U.S. military capabilities to some Latin American countries ignore host country sensitivities to increased U.S. military presence." Can you assure the Committee that the programs cited above are essential, are not duplicative, and are a well thought out coordinated plan?

Answer. There is an integrated plan to apportion DOD intelligence collection and analysis responsibilities for counternarcotics and DIA is responsible for implementing that plan. DOD intelligence activities related to counternarcotics include not only support to the law enforcement interdiction mission but to such Defense Departmental requirements as detection and monitoring and planning for the President's Andean and Heroin Strategies. DIA has personnel assigned to work with law enforcement agencies (LEAs) and there are also LEA personnel assigned to work in DIA full time to coordinate support to the LEAs. National and DOD collection capabilities have been integrated with appropriate law enforcement collection assets from the beginning of our joint counternarcotic efforts. We are further refining intelligence production responsibilities to meet the divergent needs of the LEAs for interdiction support and DOD detection and monitoring intelligence. For instance, the command fusion centers at JTFs 4 and 5 and NORAD take the intelligence produced by all sources for their areas of responsibility and fuse those products with their own organically-collected intelligence to enable them to meet their JCS-assigned missions. Additionally, the intelligence product is sanitized and passed to the LEAs. There is little duplication of effort; these centers are

responsible for fusing regional intelligence. DIA is also working with SOUTHCOM's requirements for a counternarcotic intelligence infrastructure so that the command can adequately meet mission responsibilities within the construct of the counternarcotics program.

SOUTHCOM's proposed Command Management System is being reviewed by the Joint Staff and the Department of State to ensure that it is an appropriate mechanism for providing C3I for the counternarcotics program within SOUTHCOM's area of responsibility. The system currently in existence relies heavily on courier pouch operations to maintain secure connectivity. This has proven unworkable in providing timely information to all agencies involved.

Lastly, no action will be taken in Latin America without the support of the host country. All actions have been fully coordinated between SOUTHCOM and the American Embassies. USCINCSO is aware of host country sensitivities to increased U.S. military presence and deals with the nations accordingly.

Question. Several times in your statement, you mentioned the creation of new centers, new task forces, or new support offices. Are all these organizations necessary? Can you assure the Committee that these organizations will not create additional layering and unnecessary bureaucratic confusion as to who is in charge?

Answer. Each new center that has been created serves a necessary purpose for both DoD's Congressionally mandated detection and monitoring mission and in our support to law enforcement agencies. For example, JTF-6 is the land equivalent of JTF-4 & 5, which conducts detection and monitoring missions. The Regional Logistical Support Offices (RLSO) serve as support units for LEAs that need certain pieces of equipment to fulfill mission requirements and the RLSOs can arrange military training for law enforcement officials, which will help those trained to successfully complete their missions.

In regard to creating unnecessary bureaucratic confusion, we have been given additional responsibilities and that growth requires creating additional centers for a quick response capabilities. We have staffed these new centers with the best military personnel available and I am confident that with their training and dedication to DoD's counterdrug mission, they have and will eliminate any confusion that may have occurred from DoD's additional responsibilities.

Question. In determining what systems or programs will be utilized for drug interdiction, do you follow the regular procurement regulations, i.e., competitive procurement and full funding?

Answer. Procurement and contracting actions in support of counternarcotics programs fully conform with all Federal acquisition regulations and directives.

CENTRALIZED NARCOTICS ACCOUNT

Question. The centralized narcotics account includes funds for all individual DoD counter-drug programs, except for DIA and NSA programs and the military personnel accounts. The centralized management is to facilitate the planning, coordination and oversight of DoD's counter-drug efforts.

The justification book states that DIA and NSA counternarcotics activities will be managed as Tactical Intelligence and Related Activities (TIARA) programs, executed by the individual agency, and subject to OSD TIARA oversight.

Are these funds included in the $1.2 billion requested in this centralized account or are they in addition to it?

Answer. All counternarcotics program TIARA funds are included in the $1.2 billion request.

Question. How do you as the DoD Drug Coordinator interact with those responsible for OSD TIARA oversight? Are you aware of the specific programs requested by DIA and NSA for drug interdiction and do you take their programs into account as you project other programs for the Services and agencies?

Answer. The Assistant Secretary of Defense (Command, Control, Communications and Intelligence) has overall responsibility for TIARA program oversight. However, all program and associated funding requests are made through this office. The DoD Drug Coordinator is, therefore, cognizant of all programs requested by DIA and NSA, and ensures that they receive appropriate consideration for inclusion as part of the DoD counternarcotics program.

Question. You as DoD Coordinator manage the centralized account, but the funds are actually executed by the Services and agencies. Explain the process as to how the centralized budget is prepared down to and including execution.

What input do the Services/Agencies have in requesting funds? Do you make sure the funds do not duplicate programs in other Services/Agencies? Do you have override authority? Does the Service/Agency have appeal rights?

As far as disbursement and execution, how soon after the Appropriation act is signed into law will the funds be disbursed? Will you disburse 100% or will you hold back a portion for other emergent contingencies? If so, what percentage will be withheld?

Answer. The FY 1989 National Defense Authorization Act established three new mission responsibilities for the Department of Defense. Congress authorized and appropriated $300 million in FY 1989 and $450 million in FY 1990 to accomplish these missions. In addition to these three new legislated mission areas, the Military Departments have funded demand reduction and OPTEMPO (flying hours, steaming days, training days) programs as part of the Departments' overall counternarcotics effort. In order to provide total counternarcotics program visibility, and facilitate centralized management, the Secretary of Defense has established, beginning in FY 1991, a central counternarcotics account. Accordingly, all Department of Defense counternarcotics activities, with the exception of military personnel accounts and NSA/DIA intelligence programs, which may be funded within the National Foreign intelligence Program, are to be budgeted within this central account. For example, Service OPTEMPO programs will no longer include that portion which is counternarcotics related. Instead, counternarcotics OPTEMPO will be requested and budgeted through the central counternarcotics account and then transferred to the respective Service for program execution.

For FY 1989, 1990, and 1991, the CINCs, Services and Defense Agencies submitted specific projects for inclusion as part of the

counternarcotics program. Each project was reviewed for its overall counternarcotics application, consistency with the National Drug Control Strategy, executability, outyear funding requirements, multi-mission applicability, and potential duplication of existing activities. Beginning with the FY 1992–1997 six-year defense cycle, the CINCs, Services, and Defense Agencies will propose to the Drug Coordinator counternarcotics programs as part of the normal PPBS cycle.

The DoD Drug Coordinator issues a "data call" to the CINCs, Services, and Defense Agencies who respond with input for incorporation within the overall counternarcotics program. As stated above, part of the review process is to make sure programs are not duplicated.

The DoD Drug Coordinator, after close coordination with the Join Staff, and Assistant Secretary of Defense for Command, Control, Communications and Intelligence, submits a recommended program as part of the normal PPBS process. Both the Joint Staff and Office of the Assistant Secretary of Defense for Command, Control, Communications and Intelligence play a key and essential role in this prioritization process. Final budget decisions are made by the Secretary or Deputy Secretary of Defense. There is an established process by which the Services and Defense Agencies can "appeal" the program budget decision.

As soon as Congressional Authorization/Appropriation is obtained, the Department will expeditiously transfer, funds from the transfer account, as appropriate. In some cases, rather than transfering 100% initially, some percentage may be held subject to a mid-year execution review.

JUSTIFICATION MATERIAL

Question. The justification book is very hard to follow. Except for broad based generalities, no one can actually track the expenditure or expected expenditure of the $450 million; how the $165,400,000 reprogramming is proposed to be spent; or how the $1,207,900,000 for Fiscal Year 1991 is proposed to be spent. Would your office be willing to work with the appropriate Congressional committees to develop a more meaningful, workable document for future fiscal years?

Answer. Subsequent to the establishment of the three new mission responsibilities by the FY 1989 National Defense Authorization Act, a major focus has been to incorporate our counternarcotics program within the overall Planning, Programming and Budgeting System (PPBS). This has been accomplished; the FY 1992–1997 six-year Defense Planning Cycle includes the Department's counternarcotics program. Accordingly, future versions of the Counternarcotics Program Congressional Justification Book (CJB) will include significantly more detail, and more closely approximate other major force program summaries.

The current FY 1991 CJB was developed within narrow time constraints which precluded a more detailed accounting. The intent, however, was to provide sufficient fiscal detail in a usable format. We will provide the committee with any additional information re-

quired in any category and would be most willing to work with the committees to ensure a more useful document in the future.

FISCAL YEAR 1991 PROGRAM

Question. For the record, using the table on pages 22–23 of the justification book, provide a breakout of the FY 1991 request, by appropriation. For examples: $118.7 million is proposed for Operation and Maintenance, Army and x dollars is for, x dollars is for, etc. For the Procurement, R&D, and MILCON dollars, provide a specific breakout by appropriation. Use a P–1, R–1, and C–1 format.

This information on the fiscal year 1991 program should be provided as soon as possible and definitely in time for committee use prior to mark-up of the FY 1991 bill.

Answer. The following information is as of March 22, 1990. The attached sheet (TAB A) provides a detailed breakout of the FY 1991 counternarcotics estimates. The display is arranged by appropriation category vertically (i.e., O&M, Procurement, Pay and Allowances, RDT&E, and MILCON), and by program component horizontally (i.e., Detection and Monitoring, OPTEMPO, expanded CINCs' operations, Demand Reduction, and Total Requirement).

NOTE.—The results of the Counternarcotics Tactical Intelligence and Related Activities (TIARA) Program Review are documented in the Counternarcotics TIARA Annex to Volume VI of the TIARA CJB. The CN TIARA review resulted in changes to the appropriations breakout given on pages 22–23 of the February 1990 CN Justification Book. The current appropriations requests are also provided herein (TAB B) for completeness sake, as well as documented in the June 1990 CN CJB Annex.

[CLERK'S NOTE.—Classified breakout as of the date of this hearing was removed.]

SERVICE MEMBERS SENT INTO ANOTHER COUNTRY

Question. What guidelines are followed before service members can be sent into another country to provide training and support, i.e., the Mobile Training Teams sent into Andean countries?

Answer. Service members are not sent to other countries to provide counternarcotics training and/or support unless the country concerned has requested the support through our embassy, the respective Ambassador and the respective CINC (CINCSO for Andean countries) jointly agree that the requirement is a valid and helpful one. Further, such requests are validated with the State Department and the Chairman, Joint Chiefs of Staff and specifically approved by the Deputy Secretary or Secretary of Defense.

NATIONAL GUARD OPERATIONS

Question. Staff visited two states to review operations of the National Guard. The Guardsmen were proud of their mission and were doing their utmost to serve, even volunteering free time. While visiting units doing cargo searches, a comment was made that they did not have sufficient uniforms, crowbars, hammers, and the like. The units doing support to law enforcement agencies stated a shortfall in other smaller items, i.e., computers. Some guardsmen even bought beepers out of their own pockets to be re-

sponsive. Helicopters doing flyovers to spot marijuana fields do not contain the LORAN navigation system to pinpoint the fields.

While the Committee understands that the states as they prepared their budgets could not foresee every possibility, it feels these smaller unforeseen items should be provided from within the Drug Interdiction acount. Would you please review the allocation of the FY 1990 funds to see if additional funds could be provided the National Guard for these types of equipment?

Answer. A review of the allocation for FY 1990 shows that of the $70 million appropriated by Congress for National Guard counterdrug activities, $12.3 million was for operations and maintenance.

The National Guard Bureau has notified the states that these Operations and Maintenance funds can be used for the purchase of miscellaneous equipment relating to counterdrug operations. The states have also been advised that these funds can be used, consistent with applicable directives, for the lease of computers and telecommunications equipment to support counterdrug operations.

The National Guard's need for LORAN was recognized during operations last year. Congress appropriated funds for their procurement in 1990. The National Guard Bureau has recently completed its plan for this expenditure and has begun the process for the appropriate internal transfer of funds.

Additionally, sufficient funds have been programmed into the FY 1991 budget to purchase these types of items.

DEMILITARIZATION OF SMALL FIREARMS

Question. Section 1208 of the FY 1990 Authorization Act allows for the transfer of excess personal property, including small firearms and ammunition, to Federal and state agencies. In testimony on excess spares/property before a committee, a DoD witness cited a general provision in the FY 1990 Appropriations Act which prohibits the sale of small firearms for demilitarization. Could these small firearms, if still in good condition, be of benefit to Federal and state agencies in the drug enforcement area?

Answer. As mentioned in the initial question, section 1208 of the National Defense Authorizations Act for Fiscal Years 1990 and 1991 allows the Secretary of Defense to transfer, to Federal and State agencies, excess property, including small firearms, which is suitable for use by those agencies in counter-drug activities. The provision further limits the Secretary to the transfer of property which is drawn from existing stocks of the Department and to transfers which are made without the expenditure of any funds available to the Department for the procurement of defense equipment.

If the small arms contemplated by the question qualify under section 1208 and a request is received from an appropriate agency, the Secretary may transfer the property. The justification as to the suitability or beneficial nature of the property initially must be addressed by the agency and submitted as part of their request.

SUPPORT TO LAW ENFORCEMENT AGENCIES

Question. The committee notes that $40 million was provided in FY 1990 for support to Law Enforcement Agencies. Why are there no funds requested in FY 1991 for this purpose?

Answer. The Congress directed that up to $40 million of FY 1990 counternarcotics funds could be utilized in providing support to law enforcement agencies. Although this was not part of the Department's original program, we have been aggressively working with the variouis law enforcement agencies to identify specific funding requirements, which fall within the purview of the legislation for subsequent program accommodation. This has been a difficult and time-consuming process. Because of the exceptionally restrictive nature of the legislation, the law enforcement agencies have been hard pressed to quantify and define their requirements. We assume that after FY 1990 the various law enforcement agencies will have had the necessary lead time to incorporate necessary funding within their respective agency budget for similar projects.

NATIONAL GUARD POSITIONS

Question. The Appropriation paragraph in the FY 1990 Appropriations act allows the use of the $70,000,000 for associated administrative costs. This was to allow for some Title 10 personnel at the National Guard Bureau and headquarters level. Have funds been expended for this purpose?

Why is there O&M funds expended in FY 1989 for the National Guard Bureau, but not estimated for FY 1990 for FY 1991?

Answer. Funds have been obligated for the establishment of 35 additional positions (Title 10) which have been authorized for the Army National Guard. All of the job descriptions for these positions have been formally developed, and some of these positions have been filled. Furthermore, 25 additional positions have been authorized for the Air National Guard, and job descriptions for these positions are in the process of formal development. To date, $1.4 million has been set aside to support these new positions.

The $3.4 million for the National Guard Bureau included in the FY 1989 column of the Justification Book was required for the Air National Guard manning (Federal status) of deployable radars sited at Andros Island, Grand Inagua, and Georgetown, Bahamas. The FY 1989 requirement includes $1.8 million for National Guard personnel and $1.6 million for Operations and Maintenance, Air Guard. The FY 1990 and FY 1991 requirement for the Bahamas radars is included in the CJB on page 22 under Operations and Maintenance, Air National Guard.

NATIONAL GUARD STATE PLANS

Question. The conferees directed the Secretary to provide no less than $10 million to the California National Guard. Has this been done? If not, why not?

Answer. $7.991 million was provided to the California Guard out of the $70 million appropriation for support of the Governors' plans. The remaining funds are coming from the $40 million procurement package for National Guard equipment and are sufficient to bring the total to over $10 million.

Question. Provide a detailed breakout of how the $70 million specified by Congress has been or will be spent?

Answer. $68.6 million is being provided to the states for military personnel and for operations and maintenance support of the Governors' approved plans. The remaining $1.4 million is being used to support the increase in Active/Guard Reserve positions to manage the counter drug program. The following chart provides a detailed breakout by state.

DETAILED BREAKOUT OF $70 MILLION FOR NATIONAL GUARD ANTI-DRUG SUPPORT OPERATIONS

STATE	DOLLARS AUTH
ALABAMA	$1,551,000
ALASKA	$835,000
ARIZONA	$2,364,000
ARKANSAS	$992,000
CALIFORNIA	$7,991,000
COLORADO	$244,000
CONNECTICUT	$62,000
DELAWARE	$134,000
DISTRICT OF COLUMBIA	$2,349,000
FLORIDA	$6,037,000
GEORGIA	$2,429,000
GUAM	$279,000
HAWAII	$708,000
IDAHO	$235,000
ILLINOIS	$222,000
INDIANA	$333,000
IOWA	$326,000
KANSAS	$349,000
KENTUCKY	$2,751,000
LOUISIANA	$1,829,000
MAINE	$488,000
MARYLAND	$906,000
MASSACHUSETTS	$1,036,000
MICHIGAN	$474,000
MINNESOTA	$555,000
MISSISSIPPI	$1,104,000
MISSOURI	$507,000
MONTANA	$296,000
NEBRASKA	$756,000
NEVADA	$191,000
NEW HAMPSHIRE	$0
NEW JERSEY	$1,562,000
NEW MEXICO	$654,000
NEW YORK	$4,912,000
NORTH CAROLINA	$2,144,000
NORTH DAKOTA	$88,000
OHIO	$378,000
OKLAHOMA	$532,000
OREGON	$1,216,000
PENNSLYVANIA	$1,019,000
PUERTO RICO	$691,000
RHODE ISLAND	$143,000
SOUTH CAROLINA	$1,904,000
SOUTH DAKOTA	$129,000
TENNESSEE	$668,000
TEXAS	$10,936,000
UTAH	$509,000
VERMONT	$62,000
VIRGINIA	$931,000
VIRGIN ISLANDS	$130,000
WASHINGTON	$316,000
WEST VIRGINIA	$120,000
WISCONSIN	$286,000
WYOMING	$25,000
AIRLIFT	$912,000
MANAGEMENT	$1,400,000
TOTALS	$70,000,000

May 2, 1990

NATIONAL GUARD EQUIPMENT

Question. Provide a detailed breakout of what was or is to be purchased with the $40,000,000 appropriated for National Guard equipment.

Answer. A detailed breakout of what is to be purchased with the $40 million appropriated for National Guard Equipment follows:

Item	Quantity	States	Cost
AN/TPS 70 radar ($7.5 million)	3	AZ, AL, GA	$22.5
FLIR ($140,000)	55	27	7.7
Communication (air) ($14,000)	270	All	3.8
Communication (GND) ($1.5,000)	270	All	.4
Night Sun ($18,000)	71	27	1.2
Loran C (air) ($3,000)	270	All	.8
Loran (man portable) ($700)	270	All	.2
Aircraft upgrade (OH-58)	22	N/A	2.75
Technical assistance			.65
Total			40.0

Question. The Committee notices that no funds are requested in FY 1991 for National Guard equipment. Why?

Answer. For FY 1991, $5 million is requested for National Guard funding (See Congressional Justification Book, Page 5). These funds will be used for the purchase of communications, sensor, and direction finding equipment.

COMMUNICATIONS NETWORK

Question. It seems that the Department is developing many sophisticated means of detection, but it is all for naught if the detector cannot communicate with the law enforcement agency, who has the responsibility to apprehend and arrest. What is the Department doing to resolve inter-agency communications, i.e., from a P-3 to a Coast Guard Patrol boat.

Answer. We realize that the key to successful detection and apprehension is timely, secure communications. One of the missions which Congress gave to DoD was to ensure that secure/interoperable communications were available to the Law Enforcement Agencies and that is being accomplished through the implementation of the Telecommunications Master Plan.

In individual instances where a problem is detected at the operational level, it is solved whenever possible at that level through on-scene cooperation between the participating agencies.

An example of our on-going problem solving efforts involved a recent issue in the JTF-4/C3I area of operation. A problem was identified concerning the inability of the Customs P3 Airborne Early Warning (AEW) aircraft to communicate with JTF-4 and other DoD platforms in a secure mode. The problem was caused by an incompatibility of the Customs and DoD HF secure voice systems. Secure communications could only be accomplished by going through a ground relay at C3I East. This system was cumbersome and led to delays and potential lost opportunities.

Corrective action was initiated, in this case by the Customs Service, by simply rewiring a readily available HF transmitter/receiver

in the P-3 cockpit through a crypto device normally used by the tactical crew members in the back of the aircraft.

As new platforms are introduced into the counternarcotics effort, additional connectivity problems will probably arise. However, are all solvable.

Question. Does the National Telecommunications Master Plan for Drug Enforcement address the issue of interagency communications.

When should the problem be solved?

How much is included in the FY 1991 budget for this effort?

Answer. The National Telecommunications Master Plan for Drug Enforcement was developed by the Interagency Working Group for Drug Enforcement Communications and approved for implementation by the National Drug Policy Board in July 1988. The Master Plan identifies requirements for interagency communications during joint operations; defines telecommunications and security standards and procedures which will satisfy interagency requirements; and develops recommendations for appropriate action to achieve interoperable and secure communications.

Designating a completion date for this effort would not be realistic. The Master Plan identifies generic connectivity requirements classified by each specific communications network, (i.e., UHF/VHF, HF, Satellite, fixed long haul networks, etc.). Prior to purchasing the equipment, the specific secure interoperable standards have to be identified. In some cases the solution is simple, as in the procurement of STU IIIs; the equipment is currently in operation and it is a matter of supplying the same equipment to all agenices. However, in the majority of instances, inter and intragency compatibility standards must be established. In situations like this, all agencies must agree on a particular standard that meets the security interoperability requirements.

As Drug Enforcement operational doctrines evolve, problem areas arise and are in turn being defined by the Communications Interoperability Working Group. New technologies are also continually being investigated in order to provide the best equipment to satisfy the requirement.

The cost for implementing totally secure and interoperable communications systems to support drug interdiction efforts is very significant. In the May 1989 DoD reported to Congress on the Integration of Command, Control, Communications and Technical Intelligence into an Effective Communications Network for Drug Interdiction, a conservative estimate of $1 billion was developed. We still feel this is a good estimate. We also noted that if the communications objective is to be met, congressional out year funding support for each participating agency budget will be required since DoD funding is reduced significantly after FY 1991, as DoD completes its nearly $145 million contribution to the system base architecture.

The DoD 1991 budget allocates $56 million for purchase of communications equipment for Law Enforcement Agencies. This is the last year of DoD purchase of communications equipment. Starting in FY 1992 each individual agency should budget and fund their

communications equipment needs in accordance with the Drug Enforcement Telecommunications Implementation Plan (DETIP).

Question. There are numerous initiatives, both large and small, listed in the justification book for communications. Larger programs such as the Anti-Drug Net (ADNET) and the Southern Regional Operations Control Center (SROCC), many smaller systems for PACOM, FORSCOM, SOUTHCOM and LANTCOM, and other miscellaneous communications and ADP systems are programmed. How can the Department be sure they are all required and not duplicative and that they will be interoperable?

Answer. DoD requirements for systems, such as described above, are validated by the Joint Staff prior to submission for funding. The justification for the requirement is submitted by the requesting CINC.

The communications systems listed in the justification book are in support of the DoD Counternarcotics mission which was assigned to the CINCs by the Secretary of Defense. The systems are required for the CINC to support the mission where existing CINC systems are inadequate. As a new requirements are received at Joint Staff, as part of the validation process, they are examined by several Directorates within the Joint community as well as the Services to determine if the request duplicates an existing capability. In addition, each year prior to the submission of the budget, there is a budget workshop held where members representing the CINCs, Services, Agenices and OSD meet to discuss each input and to prioritize the budget items. Each representatives discusses his requests, why it is required and the resulting deficiency if not funded. Requests may be questioned by members and if duplication is suspected it is questioned at this forum.

The question of interoperability is one of being able to pass the information to DoD and Law Enforcement Agencies who require it. The CINC systems themselves may require only CINC intraoperability as long as they can pass the information through a system like the Anti-Drug Net (ADNET) which meets the interoperability requirement.

Question. For each communications system, provide a brief description, status of the individual components involved, and its costs by appropriation.

Answer. The information follows:

ATTACHMENT

DoD Counternarcotics Program as of 20 April 90

1. AD-NET (JOTS/VIDS) (PROJECT 1102)

Description: The system establishes a single thread data network between existing law enforcement facilities dedicated to the anti-drug effort and military facilities involved in DoD's detecting and monitoring activities. The network will be capable of providing multiple site access to/from civilian and military sources. The network will resolve interoperability problems between law enforcement and DoD agencies.

Funding:	FY90 Estimate ($K)	FY91 Proposed ($K)
O&M	2100	5821
Procure	312	1430

2. SOUTHCOM ANTI-DRUG C2 (PROJECT 2101)

Description: Funds for secure voice, data circuits and tracking path, procures 13 secure HF data systems, 10 Tactical Imagery Systems, upgrades four SAO Nontactical Radio Nets, procures red switch phones and video teleconferencing equipment for each Andean American Embassy. Leases a transmission satellite path from each country to CONUS and leases land line circuits to JIC.

Funding:	FY90 Estimate ($K)	FY91 Proposed ($K)
O&M	1795	400
Procure	845	4900

3. FORSCOM NARC NET: (PROJECT 2105)

Description: JOTS-VIDS is required to complete the counterdrug command and control system. CINCLANT must be an active member of this network to maintain currency and be responsive to developing requirements.

Funding:	FY90 Estimate ($K)	FY91 Proposed ($K)
O&M	484	175
Procure	150	0

4. SOUTHCOM Intell ADP Support: (PROJECT 2302)

Description: Project upgrades current SOUTHCOM intel ADP system to a mainframe computer system with upgraded software. The enhanced computer support is needed to manage extensive data bases in support of LANTCOM and PACOM detection and monitoring efforts and SOUTHCOM intell teams deployed with U.S. country teams.

Funding:	FY90 Estimate ($K)	FY91 Proposed ($K)
O&M	5450	5600
Procure	10770	0
RDT&E	3200	0

6. Mission Enhancements (PACOM): (PROJECT 3106)

Description: Enhancements and upgrades to USCINCPAC Command Center. Connectivity required to ensure proper command and control (C2) over PACOM anti-drug assets. The basic USCINCPAC command center requirements can be satisfied by expanding existing systems, using programs under development, and using commercial off the shelf products.

Funding:	FY90 Estimate ($K)	FY91 Proposed ($K)
O&M	1000	1000

7. CJTF-4 Comms Connectivity: (PROJECT 3202)

Description: Continued initiative to provide procurement and support for communications connectivity with major nodes ashore and afloat and tracking status in near real-time for the entire CINCLANT AOR. Data exchange to facilitate dissemination and display of surface and air picture tracking in real-time.

Funding:	FY90 Estimate ($K)	FY91 Proposed ($K)
O&M	2185	1670
	1320	0

8. PACOM other support: (PROJECT 3204)

Description: Provides C2 capability and communications connectivity between command centers and theater assets, computer equipment and data systems, and secure voice and LAN comms for support of anti-drug operations. Secure operational connectivity

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needed between JTF-5, air and surface units, and Pacific command centers to monitor/task search and interdiction efforts. Allows data interface between COMPAC area, MARDEZPAC, and CJTF-5 eliminating redundant data bases.

Funding:	FY90 Estimate ($K)	FY91 Proposed ($K)
O&M	1105	1133
Procure	100	0

9. NORAD Secure UHF C2: (PROJECT 4108)

Description: Logistic support for secure UHF radios so NORAD can communicate with Customs aircraft, NORAD fighters, and USCG E3s. JCS has directed the use of secure comms to the maximum extent. All air assets currently have this equipment.

Funding:	FY90 Estimate ($K)	FY91 Proposed ($K)
O&M	100	100

10. Air/Control Center Connectivity (RADIL): (PROJECT 4111)

Description: Provides HF radios and digital interface link to connect AWACs to NORAD and USCS/USCG command and control centers. Control centers need to see entire area and will need downlinks from AWACS in the target area.

Funding:	FY90 Estimate ($K)	FY91 Proposed ($K)
Procure	0	2400
RDT&E	100	0

11. AF Communications Equipment: (PROJECT 4204)

Description: Buys and supports replacement radios and cryptologic gear to restore stock currently fielded for drug interdiction. Funds also provide TDY pay for maintenance personnel. Depot supported communications gear is in use for drug interdiction and has lowered stock to unacceptable levels.

Funding:	FY90 Estimate ($K)	FY91 Proposed ($K)
O&M	35	35
Procure	2052	800

12. AF local base support:

Description: Purchase computer support, extra phone equipment including new lines to support TDY personnel at host bases.

Funding:	FY90 Estimate ($K)	FY91 Proposed ($K)
O&M	500	500

13. CBRN - SROC Comms (SOUTHCOM): (PROJECT 4213)

Description: Continues funding to secure air to ground comms remoted from the Southern Regional Operations Center through the fifteen radar sites and procures two secure UHF TACSAT units for regional comms.

Funding:	FY90 Estimate ($K)	FY91 Proposed ($K)
Procure	2000	0

14. NORAD Intel comms:

Description: Provides terminals, software and the installation of CSP and MAXI intelligence system suite. Installs comms between NORAD intel cell, DoD agencies, and Law Enforcement agencies.

Funding:	FY90 Estimate ($K)	FY91 Proposed ($K)
O&M	455	480
Procure	498	972

15. NORAD WIN: (PROJECT 4306)

Description: Provides support for workstations and leases lines to tie into the worldwide intelligence network (WIN). Provides joint planning capability between NORAD and all other U&S CINCS.

Funding:	FY90 Estimate ($K)	FY91 Proposed ($K)
O&M	5	5

16. SOCOM CN Program: (PROJECT 4340)

Description: Purchases software support, communications, connectivity, and computers compatible with evolving CN systems and USSOUTHCOM SIMS-D system. Also purchases deployable ADP equipment to support special operations mobile training teams.

Funding:	FY90 Estimate ($K)	FY91 Proposed ($K)
O&M	740	720
Procure	200	50

AEROSTATS/RADARS

Question. What is the total number of aerostats the Department plans to have in place? By when? Since these aerostats are expensive to purchase and operate and have been plagued with weather damage and excessive down time, do you believe they are the most cost-effective way to provide radar coverage?

Answer. The United States Customs Service is the planning and contracting agency for the aerostat network. The network will have a total of sixteen sites located along the Southern border. Barring unforeseen circumstances, the U.S. Customs Service, with the assistance of DoD and the Coast Guard, plans to have all sites operating by late 1992. When compared with other ground based radars and/or airborne sensor platforms currently available, the aerostats along the southern border provide the largest area coverage for the fewest dollars.

Question. Provide a funding profile for the purchase of the aerostats, by locations, year purchased, total cost.

[CLERK'S NOTE.—The information was printed previously. See pages 394–396.]

Question. Explain the benefit for installing UHF/VHF radios on aerostats. Provide cost data for the record.

Answer. HF/VHF/UHF receivers will be installed on the aerostats as a SIGINT/COMINT enhancement. This enhancement, planned for all aerostats, will allow the collection of HF/VHF/UHF information and direction finding capability. The installation of this equipment will increase the ability of the radar operators to identify suspected drug traffikers' aircraft. In FY 1991, approximately ——— is planned for this effort.

SMALL AEROSTAT SURVEILLANCE SYSTEM

Question. The Small Aerostat Surveillance System (SASS) is dedicated detection and monitoring radar operation. How is the system different from or compatible to the aerostats?

What is the cost of SASS? How many will be deployed and where?

Answer. SASS systems are seaborne sensors deployed in the Caribbean and Gulf of Mexico, and are employed as "mobile" gap filler radars. The system has a limited range in comparison to the land-based aerostat due to a lower operational altitude. The radar is slightly more capable in tracking small targets and the system carries an enhanced sensor package.

Land-based radar aerostat systems are capable of detecting low flying aircraft at ranges between 160–200 NM. SASS radar can detect low flying aircraft at a range of about 60 NM.

Each SASS is leased under an Army contract for $7.0 million annually. A total of three units will be operational by the end of FY 1991.

CARIBBEAN BASIN RADAR NETWORK

Question. In your statement you mentioned that the Caribbean Basin Radar Network (CBRN) early warning radars are in place and operational. Are all the CBRN in place and operational. Are the regional centers fully operational as well?

Answer. My statement quoted in the last paragraph, on page 10 of my testimony is as follows: ". . . the Southern Command will partially rely upon a Caribbean Basin Radar Network that consists of a series of early warning radars, some of which are already in place and operational."

Currently there are six operational CBRN radars: Key West, two in Puerto Rico, Guantanamo, Panama, and the Dominican Republic. Host Nation Agreements have been signed for four more radars: Honduras, Cayman Islands, and two for Colombia. These radars are either under construction or in the planning phase. Negotiations are on-going for the remaining six radars: two for Venezuela, one for Costa Rica, and additional radars in Honduras, Colombia, and Venezuela (one for each).

Caribbean Regional Operations Center (CARIBROC) is operational but is going through a three-phase upgrade to its system:

1. Phase 1—Upgrade radar systems.
2. Phase 2—Upgrade processing capabilities.
3. Phase 3—Upgrade communications and display systems.

It will take about 3 years to complete the CARIBROC upgrades.

The status of the South Region Operations Center (SROC) is somewhat different since it is a new operational system. Installation of the automated command center equipment will be finished in July 1990 providing an initial operating capability at that time. The SROC will be fully operational in September 1990.

OTH-B RADAR

Question. Wouldn't increasing the ability of the radar sensors (OTH-B) to see more area, flood the C3I network with data?

Answer. The inclusion of another detection system, such as OTH-B type systems, feeding the C3I network would not significantly impact the system's operation, and it would not flood the system with data. The C3I network is currently designed to handle about 3000 targets simultaneously. At the current rate, 1700 targets are detected during the heaviest air traffic periods. Presently at least 1300 additional targets could be detected and tracked by OTH-B before the system would be "flooded". It is not anticipated that OTH-B would provide that amount of data.

Question. Is OTH-B a cost effective way to provide drug interdiction coverage to the SW border?

Answer. In the capacity of detection and monitoring, OTH-B type systems are indeed a cost effective solution. The present alternatives are all shorter-ranged radar radar options which must be compared to the longer detection ranges provided by OTH technology. Most ground-based radar sites (including aerostats) have nominal detection ranges of about 150 nautical miles radius against a two meter square target flying at 2000 feet altitude. Nominal AWACS detection can be expected at ranges of about 200 nautical miles radius. OTH technology allows the detection, when operating conditions are optimized and proper tracking systems are incorporated, of small airborne targets to ranges of 1800 nautical miles. OTH is envisioned to be used for early warning purposes for ground based and AWACS aircraft, thereby making both systems more effective platforms for placing interdiction aircraft in pursuit.

Question. Assuming the project goes forward, how would the central section of OTH-B radar interact with the drug interdiction command and control infrastructure?

Answer. The U.S. Customs Service's Command, Control, Communications and Intelligence, East Coast (C3I-East) and the C3I-West Coast centers are responsible for air traffic sorting for the counternarcotics mission. These centers remain in continuous communications with CINCNORAD (and its subordinated Joint Surveillance System (JSS) and Sector Operations Control Centers (SOCCs)) and the Federal Aviation Administration relative to transiting aircraft in their areas of interest. C3I-East also has a direct communications link to the Commandant, U.S. Coast Guard District, Seven, Miami, Florida; The Commander, Joint Task Force Four, Key West, Florida; and the Caribbean Regional Operations Center (CARIB-ROC), Key West, Florida. The OTH-B data will be handled via these nodes.

Question. What is the footprint of the central sector of the OTH-B central sector radar, what area would it cover?

[CLERK'S NOTE.—Answer previously provided. See page 401.]

CINC INITIATIVES

Question. For each of the CINC initiatives, provide a breakout of the programs and their cost.

Answer. In his September 18, 1989 guidance, Secretary Cheney designated the detection and countering of the production, trafficking, and use of illegal drugs as a "high priority national security mission of the Department of Defense." At the same time, he informed all the commanders of the unified and specified commands of the elevated priority of the Department's counternarcotics missions and directed certain of those commanders to expand their counternarcotics operations in their respective areas of responsibility.

The CINC initiatives are those actions recommended by the Unified and specified commanders in response to the SECDEF guidance. Approximately $91.3 million dollars of the FY 90 counternarcotics program will go to support these initiatives. A broad overview of designated CINCs' initiatives with approximate costs are as follows:

[Dollars in millions]

	Amount
CINCFOR:	
Support to LEAs	$1.6
JTF-6	3.3
ADP Improvement	6.3
Operational Support	6.1
Civilian Personnel	1.1
CINCPAC:	
Intelligence and Communications	.721
JTF-5	1.7
ADP Improvement	2.1
CINCLANT:	
Intelligence and Communications	.95
Radars	.645
Operational Support and Logistics	13.1
Psyop Support	.2
JTF-4	1.1
CINCNORAD:	
Intelligence and Communications	3.7

Detection and Monitoring	.378
CINCSOUTH:	
Command Management	18.4
Detection and Monitoring	9.1
Intelligence and Communications	8.0
Coastal Riverine Operations	.35
ADP Improvement	10.3
Operational Support and Training	3.5

Question. How do you evaluate their requests? How can you be sure they are actually needed for drug interdiction and not to offset some shortfalls in their budget request?

Answer. The CJCS is responsible for development of operational plans, including assessment of forces and appropriate levels of operating resources to perform the DOD detection and monitoring mission. Within the Joint Staff, the J-3 Counternarcotics Operations Division is responsible for developing the overall integrated concept of operations with recommended levels of effort. This includes development of a coordinated and prioritized listing of counternarcotics requirements which integrates CINC and Service inputs. FY 1989/90/91 requirements have been reviewed by the Services. Joint Staff, and Office of the Secretary of Defense (OSD) representatives to ensure they support the integrated concept of operations. The Counternarcotics Working Group consisting of Services; Operations; Intelligence; Programming and Budgeting; OSD representatives, specifically Assistant Secretary of Defense for Command Control Communications and Intelligence (ASD/C3I), Under Secretary of Defense for Acquisition (USD(A)); and other Defense agencies representatives, including the Defense Intelligence Agency, National Security Agency, Defense Mapping Agency, and Defense Communications Agency all reviewed requirements. After review by the above representatives, specific resource program managers are queried on the details which support the counternarcotic requirements. Without supporting justification or in the event of duplication the requirement(s) is placed in the unfunded category. Beginning in FY 1992, the PPBS process will be used with DOD Drug Coordinator submitting final POM inputs after coordination with Services, Joint Staff, and other Defense agencies.

BILL LANGUAGE

Question. The Department is requesting several changes to the appropriation paragraph in the bill. The first is to delete "enforcement" and add "counter-drug activities." In addition, "counter-drug activities" is being added to the heading. Why are these changes being proposed?

Answer. The change in appropriation language from "enforcement" to "counter-drug activities" was made to avoid any misunderstanding about DoD's role, which is to support law enforcement agencies. DoD is not a law enforcement agency of itself, and does not engage directly in law enforcement activities. Additionally, demand reduction programs and source country initiatives are included in the overall DoD counternarcotics program. We feel that "counter-drug activities" more accurately portrays the overall counternarcotics mission of the Department.

Question. For National Guard operations, the proposed language specifies "drug interdiction activities under 10 USC 112." Actually,

Section 112 of title 10 addresses the seal of the Department of Defense. What is the correct cite to be used?

Answer. The correct cite to be used is 32 U.S.C. 112.

Question. The major change is requesting that the Department be provided full authority to transfer the requested $1.2 billion at will. In previous years, the Committee earmarked funds for such activities as Operations, Procurement, R&D, and National Guard. Why was this change requested? What problems would arise if the Committee decided to again earmark the FY 1991 funds?

Answer. The Department has carefully reviewed all funding profiles for each project comprising the Counternarcotics Program. Accordingly, the detail as provided in the Congressional Justification Book outlines by category and by appropriation the funds currently required for the FY 1991 Counternarcotics Program. In FY 1990 Congress "earmarked" or directed that the Department finance $139.3 million for projects which were not part of the Department's Counternarcotics Program. This created difficulties in that the "appropriation earmarks" had to accommodate the Congressionally-directed projects, thereby upsetting the appropriations balance which had been tailored to original program requirements. Furthermore, earmarking complicates the execution process in that it does not allow the flexibility needed in attacking the dynamic illegal drug threat. For example, as detection and monitoring initiatives cause drug smugglers to change their routes of transit and change the methods by which they transport drugs, we must have the flexibility to adjust funding to counter the new threat. The requirement to obtain prior approval reprogrammings complicates and delays our ability to respond to this ever-changing threat. As we have experienced in FY1989 and FY 1990, project costs, steaming days, flight hours, and TDY costs require frequent and timely adjustment to best stage our assets to counter the elusive narcotic trafficker.

[CLERK'S NOTE.—End of questions submitted for the record.]

Mr. MURTHA. The committee will adjourn until 10 o'clock Tuesday.

TESTIMONY OF MEMBERS OF CONGRESS AND OTHER INTERESTED INDIVIDUALS AND ORGANIZATIONS

WEDNESDAY, MAY 2, 1990.

RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES

WITNESS

MAJ. GEN. EVAN L. HULTMAN, AUS (RETIRED), EXECUTIVE DIRECTOR, RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES

INTRODUCTION

Mr. MURTHA. The committee will come to order.

Today we will hear testimony of public witnesses, and we have several Members who will testify also.

As all of you know, most of you have been here before, we will limit the testimony to five minutes. As a matter of fact, yesterday I was limited to four minutes on the Floor, so on this side of the aisle, we do have limitations and we hope you understand what we live with.

Of course, we will put your entire statement in the record, and we appreciate all of you coming.

Congressman Bill Richardson was supposed to be here at 10:00, but we will start without him, and when he comes, we will fit him in.

The first witness today is Major General Evan Hultman, of the Reserve Officer's Association. General Hultman.

STATEMENT OF GENERAL HULTMAN

General HULTMAN. Good morning, Mr. Chairman.

I will do my best to heed that admonition by lumping a number of things into a sentence or two.

I want to thank you personally and the members of your committee and your staff for the continued great support you give to the Reserve strength as a partner in the total force. You have proven that by the actions you have taken. We know you understand with us how critical that is going to be in the days and the months ahead.

Let me go to an item or two about each of the Services.

COMMAND AND CONTROL

In the case of the Army, there isn't any question the number one item—and you have been for that and dealing with it—is command and control. It has worked for the Air Force and has worked for

the Navy—there isn't any question it has been tried and it has worked—and it is long overdue for the Army. We commend you for the continued support that you give. I know in your meeting this week with Congressman Montgomery and the Secretary that you continued down that road.

The one caveat we have is that no matter what happens with the Total Force Policy, the same issue is there on command and control. We need that same opportunity to raise the readiness like the Air Force Reserve and like the Navy. Thank you for continuing down that road.

FORCE STRUCTURE

In the Air Force, we thank you again for putting that force structure back in the last two years. We again ask you to do that. In the case of the Navy and the Marine Corps the restoring of that reserve force structure—you have done it, and we ask you to do it again.

We need the dollars for these people to keep those bases open. The caveat I give you there again is that the total force study and everything that goes with it is critical. As you told DOD, don't go out and do things prematurely—in the case of the Navy, the closing of two bases, that of South Weymouth, in Massachusetts, and the air facility in Detroit, Michigan. We are not saying keep them open forever. We are saying until we have a plan and a road map, let's not do dumb things. That is the one critical item there.

COAST GUARD

In the case of the Coast Guard, we all know, of course, the relationship of the budget and the Department of Transportation, but again, we need your help because of the people issue that is involved there. If they are going to be able to do what they are expected to do and those ever-increasing missions, especially in the drug area, they need that vital support.

GRAY AREA BENEFITS

The last area is "gray area benefits". These benefits encourage people to come into the total force, especially the Reserve side and to keep them there and happy. These "gray area benefits" cost so little, but really mean so much. We have made some progress. With your prodding and your colleagues, DOD has included some of those for the first time in their budget. We say to you that we need those additional "gray area benefits", especially in this time when we are going to suffer a real morale problem as we do come down. This will be one way in which we can help and keep the faith, so to speak, without a big drain of any kind on the dollar side of the House.

With that, I thank you and your committee.

God bless you. We are going to be a stronger total force a year from now because of your continued efforts.

Mr. MURTHA. Thank you for your kind words and your efforts.

[The statement of General Hultman follows:]

Statement of

Major General Evan L. Hultman, AUS (Ret)

Executive Director

Reserve Officers Association of the United States

for the

Subcommittee on Defense

House Appropriations Committee

Concerning FY91 Defense Appropriations

2 May 1990

Reserve Officers Association of the United States

National Headquarters • 1 Constitution Avenue, N.E.
Washington, D.C. 20002
202/479-2200

Statement of Major General Evan L. Hultman, AUS (Ret.), Executive Director, Reserve Officers Association of the United States for the House Appropriations Subcommittee on Defense concerning FY91 Defense Appropriations--2 May 1990.

Mr. Chairman and Members of the Subcommittee:

On behalf of the more than 115,000 Reserve Officers Association members from each of the uniformed services, I appreciate the opportunity to present to this subcommittee the association's views and concerns relating to the Reserve components and the FY91 Department of Defense budget request.

The Reserve Officers Association expresses its gratitude to this subcommittee for its continuing support of the Guard and Reserve. Without its generous consideration, the readiness of the Reserve components would not be as high as it is today. The Congress has repeatedly added personnel end strengths and equipment procurement funding over that requested by DoD for the Guard and Reserve and has addressed personnel issues critical to the management of Reserve forces.

The nation has just experienced a decade in which our defense capabilities have been strengthened to correct a time in which we saw a "hollowing" of our defense forces. The size and capability of our nation's Reserve forces have increased dramatically since the 1970s. Our total military manpower expanded by 17 percent, due principally to a 36 percent increase

in Reserve force personnel. The past decade has seen a significant shift of missions and force structure from the active to the Reserve components, in large measure to take advantage of the ability of Reservists to perform most missions at a greatly reduced cost.

Fiscal year 1991 may well prove to be a watershed year for our nation's defense. After a decade of growth, our defense forces will probably experience a significant reduction--preferably, a "build-down". Having been driven by a Soviet/Warsaw Pact threat for nearly a half century, the cold war is thawing. Change in Eastern Europe and the Soviet Union demand that the nation reevaluate the military threat and respond accordingly.

Much has been written about the changes that are ongoing in the world. The Soviet block, like Humpty-Dumpty, is falling, and the chances are that neither the "king's men" nor Soviet hard-liners will be able to put it back together again. The chances of a major East-West military confrontation have greatly diminished.

While progress in East-West relations is encouraging, the world has become less stable, more volatile as old pacts, old walls and old inhibitions come down. The Soviet sphere of influence is fragmenting, and national and ethnic differences are

being accentuated. National governments and economies will be hard pressed to meet rising political and economic expectations. The Soviet Union is modernizing, not dismantling, its formidable offensive military capability. A militarily strong America is necessary to provide stability in an unstable world.

Given the diminished threat, longer warning times, and defense budget constraints, some members of the House and Senate have called for the shifting of missions and force structure from the active to the Reserve components. Questioned about the role of Reservists at an Armed Services Committee hearing, Secretary of Defense Richard Cheney stated that the Reserve forces increased during the eighties as a result of the Eastern European threat and that, as a result of the lessening of that threat, the Reserve components would now have to be reduced. While some argue that forces needed to respond to the changing military threat are best kept in an active component, given the budget realities and the cost-effectiveness of Reserve components, enhancement of the Reserve forces must be considered as a realistic alternative.

Concerned last year by budget pressures and anticipating some change in the world scene, ROA called for a comprehensive analysis of the evolving threat, the military force structure to counter the threat, and the most cost-effective mix of active and Reserve units in the resulting military force. The association

applauds congressional actions which directed DoD to undertake a Total Force Study and rejected budget driven reductions in FY90 and FY91, awaiting the completion of the study. ROA believes that the Total Force Study is crucial to the future of the Total Force and must include not only an evaluation of the Department of Defense Total Force Policy but also future force structure requirements and the most cost effective mix of active and Reserve forces needed to counter threats to national security as indicated in a new net threat assessment by the Joints Chiefs of Staff.

It is important to ROA that it not be perceived as opposing all reductions of Reserve forces. The association is not oblivious to the pressures to reduce defense spending, both as a result of budget constraints and a perceived lessening of the threat, and understands the wisdom of certain reductions. ROA certainly does not advocate keeping support units in the Reserve components after the force structure being supported has been eliminated. The association recognizes that there are missions that can be better performed by the active than by the Reserve components. Changes, including reductions, should be made wisely--after a comprehensive analysis.

In establishing policy and force structure for the nineties and beyond, the Congress--and DoD planners--must look at how well

Reservists have performed, how well they have met their commitments. The record speaks for itself.

During the 1980s, Reserve components were an integral part of US involvement in low-intensity conflicts around the globe--operations off the coast of Lebanon, refueling missions during the Libya strike, the Grenada rescue, operations in the Persian Gulf, and, most recently, as a part of operation "Just Cause" in Panama. The Reserve components have met the challenges both at home and abroad and have demonstrated their leadership and readiness to get the job done.

While ROA opposes making major, budget driven reductions in the Reserve components until after the completion of the Total Force Study, modernization of the Reserve forces cannot wait. For years Reservists have been forced to make-do with hand-me-down and obsolescent equipment. We know this Committee supports the principle that the first to be deployed should be the first to be equipped. We commend the Committee for the Guard and Reserve equipment added to past DoD requests and urge the Committee to continue its efforts to provide needed modernization of Reserve component equipment.

Having emphasized the need to modernize the Reserve forces, I would call the Committee's attention to the fact that some Guard and Reserve equipment and force structure funded in the

FY90 Defense Appropriations has yet to be authorized. These unauthorized appropriations are critical to Reserve component readiness, and ROA urges that they be authorized as soon as possible.

I need not remind this Committee of the importance of people in meeting the defense needs of this country. ROA would encourage your consideration of providing no cost/low cost "gray area" benefits to retiring Reservists prior to reaching age 60 as a means to improve personnel management. ROA would also urge the Committee to continue to improve the Reserve Survivor Benefit Plan (SBP) so that it provides a constant annuity as do other federal retirement survivor programs. I will discuss these and other personnel issues after presenting issues affecting the Reserve components of each of the services.

UNITED STATES ARMY RESERVE

The Congress has been requested to provide $3.24 billion in obligation authority to fund the Army Reserve's programs in Fiscal Year 1991.

Before discussing the Army Reserve budget for FY91, we believe there is an Army Reserve issue that should be highlighted to the Committee. Last year in our congressional testimony we addressed an issue that we felt, and still feel, is in the best interest of national defense. We strongly recommended that this committee support a vital change needed in the command and control structure of the Army Reserve. Hearing our plea, this committee placed specific instructions in the language of the FY90 Defense Appropriations Act that directed the Secretary of the Army to prepare a plan to provide the Chief of Army Reserve command authority over his Reserve forces. He was further directed "to submit a report by March 15, 1990, which delineates what needs to be accomplished in order to provide the Chief of Army Reserve command authority and how and when the transition should be implemented." To emphasize, the report added, "The conferees are adamant that the Secretary of the Army should actively pursue the preparation of this plan as directed by the conferees." As you all know, the Secretary asked for a two week extension, and on 30 March 1990 replied that the Army was

not ready to give Congress a plan. This year, Mr. Chairman, we urge you to make whatever proviso in law necessary to assist the Army in complying with your request.

There has been so much discussion this year by your colleagues on the need for the Defense Department to put as much capability as possible in the Reserve components because of their cost effectiveness that the Army's actual and planned reductions in Army Reserve structure appear premature. Such strength reductions in the reserve components bode ill for the Total Army's mobilization readiness. Providing the combat support and combat service support units that will be required in the force argues strongly for adequate numbers of drilling Reservists assigned to troop program units. Without adequate numbers of authorized drilling Reservists and full-time support personnel, the Army Reserve cannot bring into being those new units required to fulfill newly assigned missions, unless other already existing units are inactivated. Or unless the missions or organizations of the new units are changed or converted. There is a limit to how far and how often the Reserve structure can stretch or adjust without serious loss to its mobilization readiness.

In a year when the end strength of the active Army is declining, lack of growth in paid drill and full-time support strength within the Army Reserve will add risk to the Total Army's ability to maintain and improve its readiness. As a

result, numerous changes to the Army Reserve's force structure intended to accommodate wartime requirements must be deferred indefinitely or accomplished within current end strength limitations. Such "out of hide" changes raise the level of risk of personnel and structure turbulence that may degrade the Army Reserve's ability to improve its mobilization readiness. Turbulence may also result when, in response to population shifts, the Army Reserve must try to place new structure and relocate existing units in areas of our country that can demographically support its personnel requirements. Modernization efforts may need to be delayed until after congressional approval of increases in full-time support maintenance personnel. We believe the strength levels contained in the Army Reserve's FY91 budget submission are essential to mobilization readiness.

The Army Reserve FY91 Reserve Personnel Account request supports a Selected Reserve end strength of 309,200. This is a 10,000 reduction from FY89 end strength and equal to the sequestered FY90 end strength. Troop program end strength at the end of FY89 was 290,000. By the end of FY90 it will decline to 281,000 and is programmed to remain at that number through FY91. We are concerned that the Army is reducing troop program unit end strength before anyone really knows what kind of and what mix of forces will be in the structure in the outyears. Once we loose Reservists, it is difficult and expensive to get them back.

We feel that the Army Reserve's FY91 request for additional full-time support is too small. We urge this committee to modestly increase these numbers. These Active Guard/Reserve (AGR) soldiers and Army Reserve technicians provide the marrow for strong and ready troop program units. It has been the presence of full time support personnel that has brought the Army Reserve to a state of readiness that enables it to take on missions along side or in place of the active component as we develop our nation's most cost effective military deterrence forces.

Another "step child" account in the Army is OMAR. Over the years it has become the bill payer for many "other than" USAR shortfalls. As a result backlogs have grown in equipment for USAR soldiers, maintenance and repair of facilities (-$63.6 million), and other vital Army Reserve programs . This year's OMAR request is for $890 million. This increase of $18 million over FY90 is insufficient to even cover civilian pay raises and inflation. In fact, this results in a $10 million decrease in the program. A level that will only marginally support drilling Reservists at existing levels of readiness. We urge the Committee to address this anemic program and favorably consider a modest increase.

Mr. Chairman, with the help of Congress, much as been accomplished over the past ten years in improving the mobilization readiness of the Army Reserve. It, like the other Reserve components, has proven to be capable, dependable and cost-efficient. We all know the years ahead will be difficult and threaten to undo much of the progress that has been so painfully achieved. We understand the fierce competition for scarce resources and it is that understanding that provides the impetus for our urging you to continue to champion the viability of the Reserve forces of the Army and the other services.

AIR FORCE RESERVE

During the past decade and a half, the Congress has provided the modern equipment and the end strength required to meet assigned wartime and contingency tasking responsibilities. The Air Force Reserve (AFR) is proud of its well-trained, motivated personnel and its outstanding combat readiness.

During 1989, and especially in the major role it played during operation "Just Cause", the Air Force Reserve demonstrated that it could deploy rapidly and efficiently and work and fight side-by-side with active duty counterparts. The volunteerism exhibited by reservists was exceptionally noteworthy. AFR support covered a broad spectrum of combat and support activity, including strategic and tactical airlift, aerial refueling, aeromedical evacuation, gunship surveillance and interdiction and base operations support.

Despite the demonstrated combat capability and readiness of the AFR, the Air Force continues to "double-dip" the AFR in response to severe pressure to reduce the Air Force budget. Notwithstanding the significant savings made when force structure is transferred to the Reserve components, the Air Force continues to propose additional so called "fair share" across the board cuts to AFR and active force structures and appropriations.

Once again, the Air Force proposes to reduce aircraft and aircrew positions in the Air Reserve forces. As we pointed out

last year, and the year before, the proposed savings will not begin to equal the loss of investment in multi-million dollar pilots who will be lost to the Total Force. In view of the continued hemorrhage of pilots from active duty, the argument that there should be more pilot slots in the Air Reserve forces, not less, is compelling. We propose that the Air Force "robust" existing units with more aircraft rather than less. This option increases Reserve pilot positions, unit combat capability, and cost-effectiveness without any increase in overhead.

The following table summarizes the proposed cuts in Air Force Reserve structure and the cost of restoring them in the FY91 budget. ROA urges the committee to once again make this adjustment as it did in the FY90 appropriations:

AIR FORCE RESERVE

FY 1991 FORCE STRUCTURE RESTORATION

				($ M)		
				O&M, USAFR	RP, AF	AP, AF
AIRCRAFT	LOCATION	DRILL STRENGTH	CIVILIAN STRENGTH	(3740)	(3700)	(3010)
-4 C-130B	Peterson AFB 731 TAS	119	32	2.979	0.936	1.167
-1 AC-130A	Duke Field 711 SOS	70	17	1.557	0.620	0.411
-1 HH-3E	Homestead AFB 301 ARRS	14	5	0.457	0.145	0.098
-6 F-16A/B	Carswell AFB 457 TFG	151	35	2.297	0.935	3.073
-1 HC-130H	Portland IAP 304 ARRS	37	10	0.894	0.315	0.323
	TOTAL			8.184	2.96	5.072

In addition to maintaining the existing force structure, modernization of equipment is still a high priority for the AFR. The modernization of the C-130 fleet in the AFR, initiated by the Congress, has been an outstanding success. We recommend that the Committee continue to support the C-130 modernization program with eight C-130H aircraft for the 914th Tactical Airlift group at Niagara Falls, New York.

Another initiative addressed by the Congress in previous years, is the critical need for defensive systems to protect the AFR's tactical fighters and airlift aircraft. Without these systems, tactical aircraft cannot survive in the high threat environments in which they will have to operate. Despite the add-on funds for miscellaneous equipment previously provided by the Congress, many requirements are still unmet. ROA recommends that $24.6 million be added to the FY91 budget for defensive systems for AFR tactical aircraft. We also recommend $15.0 million be added to continue the F-16 upgrade program that the Congress initiated last year.

Combat capability depends as much upon Reserve personnel, full-time support personnel, and Operations and Maintenance (O & M) accounts as upon modern equipment. We urge the Committee to support the amounts requested in the budget submission, plus the amounts needed to restore the proposed force structure reductions.

We are also concerned that the MILCON appropriation for the Air Force Reserve was 35 percent less in FY90 than in FY89 and

that the FY91 request is 18 percent less than the FY90 appropriation. A net reduction of 53 percent in two years is a dramatic decrease. As ROA has stated many times before, the Air Force Reserve must receive adequate resources to continue to maintain a high state of readiness and perform its combat mission. If additional funds can be made available, ROA would urge that a list of projects totaling $80.8 million be considered for funding.

As a matter of equity, we ask the Committee to extend Constructive Credit to nurses commissioned between 1981 and 1987. Currently, newly recruited nurses are permitted to enter the AFR at ranks higher than equally or better qualified incumbents with proven performance and demonstrated commitment to military service. This patent disparity is causing serious morale problems. We are not asking for back pay, but only that Constructive Credit be extended to nurses who were commissioned between 1981 and 1987. Their ranks and dates of commission should then be adjusted allowing them equal promotion opportunities.

In summary, with your continued understanding and support, the Air Force Reserve will continue to provide a superb, cost effective, combat ready fighting force. The combat readiness and war fighting capability of the AFR are vital ingredients of the Total Force. We ask that you provide the resources to keep it that way.

NAVY & MARINE CORPS RESERVE

ROA's principal message for the past two years has been that a Total Force Study should be conducted and the current Reserve force structure should be maintained at least until the results of the study, now underway within the Department of Defense, are evaluated by the Congress.

We have accepted the fact that some changes to the Reserve forces, such as those that are the direct result of ongoing modernization the active or Reserve units, should occur before the Total Force Study is completed. However, the closure of two Naval Air Reserve facilities and loss of all the associated Naval Reservists at the beginning of FY91, as proposed in the Administration's budget request, does not fall into this category.

It appears that although a Navy proposal to make significant reductions in the size of the Naval Reserve was rejected by the Secretary of Defense, at least for FY91, the closure of Naval Air Station, South Weymouth, Massachusetts and Naval Air Facility, Detroit, Michigan was somehow retained as part of the FY91 budget request.

This proposal is unique in several ways:

First, these closures are the only ones from the list of 35 domestic military bases, released by Secretary Cheney at the end of January as under consideration for closure, that will require closure in FY91.

Second, the method of closure is the deletion of funding for all Naval Reserve active duty support and drilling Reserve personnel associated with these sites. This personnel reduction is proposed for the full year. Therefore, the last day personnel are programmed for these two sites is September 30, 1990--less than five months from now.

Third, the requisite environmental or other impact studies had not been completed or even initiated prior to budget preparation.

Fourth, planning, even now, has not been completed to determine alternative sites for the Naval Reserve and Marine Corps Reserve units currently located at South Weymouth and Detroit.

Fifth, the lack of professionalism and incomplete staffing regarding the proposed closure of these important training locations are also demonstrated by the fact that the same budget proposal that would close South Weymouth at the very beginning of FY91 also requests funds to construct a much needed fire station at this facility.

Therefore, ROA strongly recommends that the Navy be directed to retain Naval Air Station, South Weymouth and Naval Air Facility, Detroit until the congressional review of the Total Force Study is completed and that $31 million be added to the FY91 Reserve Personnel Navy appropriation to support the 5,271 increase in Selected Reserve end strength (571 Full-Time Support plus 4,700 drilling Reservists) needed to reverse this proposal.

The requested increase in Naval Reserve end strength is more than the proposed reduction of 3,700 because the proposed cut is a net figure which also accounts for planned Selected Reserve growth associated with the addition of five ships to the Naval Reserve force in FY91. The proposed reduction of 100 in Marine Corps Selected Reserve strength is the result of planned structure change and appears rational for FY91.

UNRESOLVED ISSUES IN FY90

There are also issues of concern to both the Naval Reserve and the Marine Corps Reserve that are still unresolved concerning the FY90 budget.

Both components are effected by the fact that some equipment items appropriated by Congress in the National Guard and Reserve Equipment (NG&RE) appropriation have not yet been authorized. For example, the AH-W1 Cobra helicopters for the Marine Corps

Reserve and the C-20 and C-130 transport aircraft for the Naval Reserve still require authorization. ROA strongly recommends that Congress resolve the issue of appropriated but not authorized equipment for the Guard and Reserve as quickly as possible.

The Naval Reserve is also feeling the impact of the "appropriated but not authorized" squeeze in the operation of its P-3 squadrons. Last year, the Administration proposed to cut Naval Reserve P-3 aircraft and associated personnel and operating funds from nine to six aircraft per squadron. This type of budget driven cut to our Reserve forces was rejected by Congress and additional funds were appropriated to restore these aircraft and personnel at least to the same level as the active force (8 aircraft per squadron). Unfortunately, the associated authorizations were not increased. Therefore, the Naval Reserve is "betting on the come" by operating P-3 squadrons at the appropriated level so far in FY90. However, since the units were not "authorized" at the eight aircraft per squadron level in FY90, the FY91 Budget Request only contains sufficient funds to operate Naval Reserve P-3 squadrons at six aircraft each.

Therefore, ROA recommends that the approximately $16 million needed to operate these squadrons at the required level be additionally authorized for FY90 and that an additional $16 million needed to sustain this force level be authorized and appropriated for FY91. In addition, approximately $1.3 million

more is required each year to fund the personnel associated with these aircraft.

FORCE MODERNIZATION

The modernization of our Reserve forces must continue. Congress has been particularly supportive of these efforts by adding funds above the budget request specifically for Guard and Reserve equipment.

The FY91 budget request does include, for the first time, some procurement of major equipment directly for the Naval and Marine Corps Reserve in the appropriation created by Congress for this purpose--National Guard and Reserve Equipment (NG&RE). Of the total $455.4 million requested, $60.4 million is allocated to the Naval Reserve to procure two C-130 aircraft, limited upgrades for HH-60H helicopters and some P-3 support equipment needed for an accelerated squadron transition. Also $25 million is earmarked for one KC-130T aircraft for the Marine Corps Reserve.

ROA considers this request by the Administration to be a start in the right direction, but not large enough to ensure meaningful progress in our quest to modernize our Reserve components.

32-241 O—89——15

Therefore, ROA recommends that the following additional high priority items be authorized and funded for FY91:

Naval Reserve

	FUNDING ($ Millions)
LAMPS MK-1 Block Upgrade Kits (SH-2G) (6 plus limited Spares or Support Equipment)	45.0
Inshore/Undersea Warfare (IUW) equipment (4 AN/ALR-66, 4 Forward Looking Infrared Radar [FLIR])	3.5
HH-60H Weapons Upgrade	18.0
Frigate (FF) Integrated Shipboard Tactical System (FFISTS) (4 systems, brings total NRF FF-1052 w/ FFISTS to 10)	4.0
P-3C Upgrades (Inverse Synthetic Aperture Radar [ISAR] and Survivability and Vulnerability Equipment)	37.5
Construction Forces (SEABEE) Civil Engineering Support Equipment (CESE) & Materials Handling Equipment (MHE)	25.9
C-20 Aircraft (2)	57.1

MARINE CORPS RESERVE

AN/UYK-83, End User Computing Equipment	2.5
Miscellaneous Ground Communications Equipment	3.4
1 Additional KC-130T Aircraft plus two "stretch" kits and ECM equipment	39.0
AH-1W Attack Helicopters (6)	54.0
Support Equipment for OV-10A to OV-10D+ Transition	5.0
Indoor Simulated Marksmanship Trainers (IMST)	.50

COAST GUARD RESERVE

The President's budget request includes a slight increase in Coast Guard Selected Reserve strength to a FY91 end strength of 12,700. This very modest growth will still leave the Coast Guard Selected Reserve at less than 50 percent of validated mobilization requirements, while the Selected Reserve of the other Armed Forces exceeds 95 percent of their requirements.

ROA was a strong advocate for the development of a plan to increase the size of the Coast Guard Reserve to at least the proportion of documented mobilization requirements achieved by the Reserve components of the other armed forces. We were encouraged when a ten-year plan to achieve 95% of requirements was finally endorsed by the Administration in 1988. Unfortunately, there has been almost no progress in meeting the incremental steps needed to achieve the goal of this study by 1998. Last year Congress did provide a substantial increase in authorized strength (15,000 end strength for FY90 and FY91). But, the Reserve Training appropriation was only funded at a level sufficient to support an end strength of 12,050 personnel, approximately the same as the 12,000 strength level achieved at the end of FY88.

It is apparent, that at this rate, we will be well into the next century before the Coast Guard Reserve is anywhere close to meeting today's requirements. The pending draw-down of U.S. Forces in Europe underlines the need to increase the size of the

Coast Guard Reserve in an orderly and meaningful manner. The major mission of the Coast Guard Reserve is port security which will be even more critical in the future than it is today because we must become able to send troops and equipment even more rapidly than under current plans.

Therefore, ROA recommends that the Coast Guard be authorized and funded for an end strength of 13,050 Selected Reservists in FY91. This is 850 above the budget request, but is only 1,500 more than the FY90 level, the same annual growth included in the Administration's 10-year plan.

In addition to having a Selected Reserve strength that is, by far, the lowest percent fill of requirements, the Coast Guard Reserve must also operate with the lowest ratio of full-time support personnel to Selected Reservists to train and administer its Reserve program. Therefore, ROA recommends that 13 additional full-time support personnel be added in FY91 to assist in the training and administration of the growing Selected Reserve.

These actions will require the addition of $3.667 million to the Reserve Training appropriation for a new total of $83 million for FY91.

The Coast Guard Reserve also has unfunded equipment requirements. Therefore, ROA recommends the addition of $10 million for procurement of unit level individual equipment items,

such as, secure communication units, protective clothing and night observation devices.

GENERAL PERSONNEL ISSUES

Before discussing specific Reserve personnel issues I would like to express ROA's concern that in the face of the growing pressure to cut defense spending the men and women who voluntarily wear a service uniform and who have demonstrated their willingness to sacrifice so much for the cause of freedom may now suffer the most as active military forces are reduced. We believe that the Congress must address the question of how can our nation cushion the blow to the men and women whose military careers are terminated.

As you know, the threat of closing defense facilities has generated proposed legislation to alleviate the impact on civilian communities. American society has come to regard a person's job with a deference that has long been accorded personal property. As we said in an editorial in the April issue of The Officer magazine, if we would treat civilian workers with compassion, how much more do we owe those who have volunteered to keep the peace and whose careers are now being truncated? The laid-off Lockheed sheet metal worker can hope to find a job with Boeing but the RIF'd artillery sergeant does not have that option.

ROA strongly supports the efforts being made both within DoD and the Congress to provide severance pay for enlisted personnel and increased severance pay for officers above the $30,000 current maximum. Additionally, ROA urges Congress to consider legislation that would exempt severance pay from federal income tax, or as a minimum, would allow military severance pay to be averaged as income over three or five years while military personnel integrate into the civilian work force.

In addition, while military jobs are being drastically reduced, other federal departments and agencies will be hiring to fill vacancies created through normal attrition and to fill newly created positions. The Justice Department, Drug Enforcement Agency, Customs and other agencies involved in law enforcement and the drug war are expected to need additional personnel. It is anticipated that FAA will be hiring additional controllers, communications maintenance personnel and safety personnel. The emphasis on the environment may also create new federal jobs. Other new jobs undoubtedly will be added to the list as the "peace dividend" is spent in all the non-DoD departments and agencies in the federal government.

ROA encourages the Administration and the Congress to consider administrative action and legislation to give severed military personnel priority in other federal hiring and reduce some of the hurdles which military people would normally encounter in seeking federal employment. By utilizing terminated skilled military personnel who have demonstrated their

capabilities and loyalty to their military service, substantial cost savings could be enjoyed by eliminating unnecessary recruiting and background investigation expenses. The federal government could realize significant savings in administrative costs while moving severed military men and women into much needed jobs. We believe that the Congress should take action to make this transition as easy and smooth as possible.

"Grey Area" Retirement Benefits:

The first Reserve specific area we would like to invite your attention to is that of Reserve retirement. Upon the completion of twenty or more years of satisfactory federal service and attaining the statutorily required age of 60, members of the Reserve components are eligible to receive retired pay plus the other benefits associated with military retirement. However, prior to reaching age 60, members of the retired Reserve are out in the cold without the benefits associated with their military service. ROA believes strong consideration should be given to providing the no cost/low cost retirement benefits that currently accrue at age 60 immediately upon an individual's transfer to the retired Reserve, assuming of course that he or she has the necessary twenty qualifying years of service. These no cost/low cost benefits would include Space A travel, unlimited commissary and exchange privileges, access to MWR facilities, etc., but would not include medical benefits until age 60. A side benefit to granting these privileges to the so called "grey area" Reserve

retiree would be the potential for raising additional funds for the MWR system. As you know, MWR activities are having financial problems and it is anticipated that the problems will only get worse in the future. Thus, by permitting members of the retired Reserve who are not yet in receipt of retired pay to use all of the MWR facilities, the services would be able to increase revenues in a much needed area at no expense to the taxpayer. Authorization of the full package of no cost/low cost benefits would also provide a strong incentive to attract and retain personnel in the Reserve components in the coming period when it looks like the Reserve will be called upon to share a larger percentage of the national defense role.

As you know, the Sixth Quadrennial Review of Military Compensation proposed a Two-Tier Reserve retirement system which would provide a minimum first tier retired pay immediately upon transfer to the retired Reserve upon the completion of at least 20 qualifying years of service. The rational for this proposed first tier was that it would provide a better management tool by permitting commanders to offer an incentive to an individual to go to the retired Reserve and thus free up a Selected Reserve slot. ROA does not believe that there is a necessity to totally revamp the Reserve retirement system in order to provide a management tool that would permit commanders to force transfer to the retired Reserve. By providing the no cost/low cost benefits to "grey area" Reserve retirees, individual ready Reservists would not feel compelled to remain active in order to preserve benefits since the Reservist would know that upon transfer to the retired Reserve some benefits would be immediately available.

We recommend that the Congress consider the granting of these benefits immediately upon the transfer to the retired Reserve by those Reservists who will be eligible for Reserve retired pay at age 60.

From the financial point of view, the granting of MWR privileges to the "grey area" Reserve retiree would provide the added MWR income mentioned earlier. This additional revenue would help offset the reduction in MWR appropriated funding and help to compensate for lower utilization levels as active duty strength decreases.

COLA Equity:

We are very concerned that the Administration is again attempting to change the military retirement system. Budget proposals for FY91 would eliminate for practically all military retirees and federal retirees the Cost of Living Adjustment (COLA) that will be due this December to compensate for the inflation that has occurred over the previous year. In addition, if enacted as submitted, future COLA's would be limited to the CPI minus 1%, thus, guaranteeing the diminishing purchasing power of military retired pay.

When the military retirement system was changed in 1986 and the COLA minus 1% mandated for those who entered the service after enactment of the new military retirement system, members

already in the service were grandfathered against the COLA cut and guaranteed full COLA's in the future. The Administration's budget proposal constitutes a breech of faith for those who entered the service on or before 1 August 1986 and if enacted would affect not only current retirees but many career military personnel currently serving on active duty or in the Reserve components.

Although we believe that the Congress will reject the Administration's proposal to reduce the value of military retired pay for those who are already retired or who entered the service prior to 2 August 1986, we are concerned that budget proposals sent to the Congress continue to attack the retirement benefits of this comparatively small group while retaining full COLA's for others, including Social Security recipients. The United States government has made a promise to military retirees, and these retirees, having served, have every right to expect the federal government to honor its commitment.

Reserve Survivor Benefit Plan:

Last year the Congress enacted some much needed and worthwhile changes to the Survivor Benefit Plan. The reduction of the cost basis to 6 1/2% of gross retired pay for maximum SBP coverage provides a simplified cost calculation and represents a financial savings for those who had a higher cost factor under the old system. We also appreciate the preservation of the 2 1/2% cost basis for approximately the first $300.00 of Reserve

retired pay if that formula results in a lower cost to the retiree. We note that effective 1 October 1991 the new Supplemental Survivor Benefit Plan Option, which permits the retiree to pay a higher premium in order to retain a constant 55% annuity, will take effect and retirees will have the option of electing this higher cost for full survivor benefits. We hope that before the supplemental plan kicks in the proposals being offered by the Military Coalition, of which the Reserve Officers Association is a member, will be considered. Justification used in the past, that the benefits should be reduced when the survivor reaches age 62 and becomes eligible to receive spousal Social Security benefits, has been negated as far as federal service is concerned with the adoption of the Federal Employees' Retirement System which permits receipt of both spousal Social Security benefits and unreduced survivor benefits. An additional consideration in this regard should be that we now have more working wives who will be eligible for Social Security benefits in their own right and thus will not receive benefits based upon their husband's work record.

Montgomery GI Bill:

The Reserve Officers Association is proud to have been associated with the Montgomery GI Bill from its inception, through its adoption as permanent legislation, and subsequent modifications that have been made to make it a better program. We believe it is having a positive impact on the quality of recruits entering both the Active and Reserve forces. The

Montgomery GI Bill is good not only for the services and the individual service member but also for our country. We are concerned, however, that the National Service bills being considered by Congress could have an adverse impact on the Montgomery GI Bill's attractiveness as an incentive for military service. For example, S. 1430, which passed the Senate in March, will pay larger post service benefits to the non-military participant than the Montgomery GI Bill will provide to those who wore the uniform. In addition, while the Montgomery GI Bill is restricted in use to paying future educational expenses, S. 1430 would also permit its payoff to be used for educational loans or as a down payment on a first home. While we strongly support the concept of national service we believe that military service is the highest form of national service and should be rewarded accordingly.

Tax Relief for Drilling Reservists:

The Tax Reform Act of 1986 has had an adverse impact on members of the National Guard and Reserve who can no longer deduct the full cost of unreimbursed travel, food, and lodging expenses related to their military training duties. The Tax Reform Act of 1986 permits these expenses to be deducted only if they in combination with other authorized expenses total more than 2% of the individual's annual income. We believe that this change is a disincentive that needs to be corrected. If we want to encourage participation in the Guard and Reserve, service members should receive fair tax treatment and be permitted full

deductibility of expenses including travel, food, and lodging connected with their military service.

While we could support either of two tax benefit proposals being considered, we would urge the Congress to enact H.R. 1875 which would permit members of the National Guard and Reserve to deduct the full cost of travel, food, and lodging expenses related to their military training duties from their adjusted gross income.

Burial at National Cemeteries:

ROA supports legislation to amend the U.S. Code to permit a member of a Reserve component of the Armed Forces who has served twenty or more years to be buried in the national cemetery system administered by the Department of Veterans Affairs. Under current law, members of the Reserve components, regardless of length of service, are not considered veterans unless they qualify by virtue of having served on active duty. Thus they are not eligible to be buried in a national cemetery except under very limited circumstances. We believe that any member of the Reserve component who has maintained a commitment to the Armed Forces for over twenty years should be permitted to be buried along with others who provided this nation's defense. After such an extended period of service, these patriots should be afforded eligibility for burial in our national cemeteries in consideration of the service they rendered voluntarily for their country.

Reserve Medical Coverage:

On behalf of our members, ROA would like to express its appreciation to the Congress for the progress that has been made over the past several years towards equalizing the medical benefits for Reservists and their survivors in the event the Reservist becomes ill, is injured, or killed, while traveling to or from training or while participating in weekend drills or on tours of less than thirty days. The increased reliance being placed upon the Reserve components has been recognized through legislation designed to provide equal medical, disability, and survivor benefits for this important element of the total force.

The major disparities that existed several years ago have been addressed and remedied, however, we would like to point out that there is still a need to enact legislation to provide, in the case of members of the Reserve who are seriously injured in the line of duty while in the training or training related status, authority for the service secretary concerned to order a seriously injured Reserve component member, with his or her consent, to extended active duty when it is determined to be in the interest of fairness and equity to do so.

The need for this legislative fix was highlighted when an Army Reserve component helicopter crashed during training exercises killing two soldiers and seriously injuring six others. Since both active duty and Reserve soldiers were on board the aircraft at the time of the accident it quickly became apparent

that due to anomalies in the statutes families of active duty disabled soldiers have considerably more entitlements than do those of Reserve component soldiers. Following the accident Reserve component wives had problems reaching their severely injured husbands due to the lack of travel entitlement, obtaining on-post housing, and access to commissary, exchange and medical treatment because the Reserve component soldiers were not on active duty. Families of those soldiers on extended active duty did not experience similar problems.

Since Congress authorized the service secretaries in P.L. 99-661 to involuntarily order to active duty any Reserve component member captured or detained against his or her will by a hostile force, in order to provide some benefits and protection to Reserve component members and their families during such situations, similar corrective legislation is warranted in the case of a member of a Reserve component who is disabled in the line of duty by injury, illness, or disease while in a training or training related travel status. ROA supports correcting this problem in the interest of fairness and equity.

Medical Shortfalls:

No testimony by this Association would be complete without an expression of our concern over the shortage of health care professionals within the Reserve components. The impact of the shortage of health care professionals within the Reserve components is brought into focus when we note that approximately

two-thirds of the medical care required during major conflicts in which the U.S. may be involved is programmed to be provided by the Reserve components. Even in the face of a decreasing threat and increased warning time, the Total Force will continue to be dependent upon Reserve component medical care during any significant scenario. For this reason, we hope that this Committee, as it addresses the medical shortfalls that currently exist, will work with the services to address methods by which the Reserve components may reduce their shortages.

In the past ROA has testified that we believe a health care professionals special pay program for Reserve personnel should be considered as part of an overall plan to reduce existing shortages. ROA still believes that an adequate special pay incentive program, when coupled with other incentives, would have a beneficial effect on recruiting and retention for the Reserve components.

We recognize and applaud the steps the Congress has already taken to address the health care shortages that exist in both the active and Reserve force and we feel that the raising of the mandatory retirement age to sixty-eight that was included in last year's Authorization Bill is another step in the right direction. However, we are concerned that the shortages which currently exist will continue if additional new and creative recruitment and retention procedures are not adopted.

Reserve Officer Personnel Management Act (ROPMA):

The need for legislation addressing appointment, retention, promotion and retirement of Reserve Officers is crucial to the management of the Reserve component. When the Defense Officer Personnel Management Act (DOPMA) was adopted in 1981 for the active component personnel, it was understood that ROPMA would follow as a counterpart to ROPA (Reserve Officers Personnel Act).

ROPMA has been introduced in previous Congresses and has again been introduced in the 101st Congress. However, no action has yet been taken on this needed legislation. We note the Annual Report of the Reserve Forces Policy Board concludes that "The Board recommends that passage of the proposed ROPMA legislation be given priority by the Congress.", and we totally support the Board's view. Unfortunately, it appears that thus far in this session the Congress has not had the time to come to grips with the requirement for this needed Reserve personnel management legislation. We hope that once the dust settles and the necessary authorization and appropriation bills have been passed, time will be made available to give the proposed Reserve Officers Personnel Management Act the consideration it deserves by both Houses of Congress.

Thank you for the opportunity to present ROA's views on these important subjects. Your support for the men and women in uniform both active and Reserve is sincerely appreciated. I'll be happy to answer any questions that you might have.

WEDNESDAY, MAY 2, 1990.

CONVENTIONAL WEAPONS

WITNESS

HON. BILL RICHARDSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW MEXICO

INTRODUCTION

Mr. MURTHA. Our next witness is the Hon. Bill Richardson, distinguished Member from New Mexico. We appreciate everything you do for us, Bill, and we appreciate you coming before the committee.

STATEMENT OF CONGRESSMAN RICHARDSON

Mr. RICHARDSON. Thank you very much, Mr. Chairman.

Like all the witnesses here, I join everyone in thanking you for making us a stronger country.

JOINT ARMOR/ANTI-ARMOR PROGRAM

Mr. Chairman, I have two projects that I want to testify on. One is the Joint Armor/Anti-Armor program.

Mr. Chairman, the Joint Armor/Anti-Armor program was motivated by the 1985 Defense Science Board study which noted the need for competitive ideas in armor research and development. I might add, Mr. Chairman, that both of these are Los Alamos National Laboratory projects.

The original Joint Armor/Anti-Armor program was established to extend from fiscal year 1986 through fiscal year 1990. It is important to extend this program through fiscal year 1991 and eventually make this program permanent.

Despite the publicized conventional force reductions in Europe, the quality and modernization of Soviet armor is relentless and Soviet designs are showing up in Third World countries. Specifically, the emerging measure/countermeasure race between reactive armor and tandem-shaped charges demands the intellectual competition stemming from industry and national laboratory involvement.

Mr. Chairman, I respectfully request that the subcommittee support a fiscal year 1991 funding level of $55 million for the Joint Armor/Anti-Armor program.

JOINT DOD/DOE MUNITIONS TECHNOLOGY DEVELOPMENT PROGRAM

I would also like to express my support for another conventional weapons program.

The Department of Defense and the Department of Energy established a Memorandum of Understanding in 1985 for a five-year program known as the Joint DOD/DOE Munitions Technology Development program.

It is a cooperative, jointly funded effort of research and development to exploit the extensive technology base and unique facilities

of the DOE nuclear weapons laboratories relevant to conventional munitions. When the MOU was established, the DOD and DOE were each to contribute $15 million annually. The five-year plan also provided for inflation in the outyears. Yet, the fiscal year 1991 budget contains only $8.3 million putting many components of the program in jeopardy.

Mr. Chairman, I respectfully request that the subcommittee support a funding level of $31 million for the DOD/DOE Joint Munitions program.

Mr. Chairman, I would like to ask unanimous consent that my entire statement be placed in the record.

Mr. MURTHA. Without objection.

We will certainly consider these seriously because we have a high regard for your recommendations and we will do everything we can to work them out.

Mr. RICHARDSON. Thank you, Mr. Chairman.

[The statement of Mr. Richardson follows:]

CONGRESSMAN BILL RICHARDSON
STATEMENT BEFORE THE
SUBCOMMITTEE ON DEFENSE APPROPRIATIONS
MAY 2, 1990

Thank you, Mr. Chairman, and Members of the Subcommittee, for the opportunity to testify on two projects important to our national defense.

The Joint Armor/Anti-Armor Program was motivated by the 1985 Defense Science Board study which noted the need for competitive ideas in armor research and development. Significant successes have occurred in the short history of this program including: a new and competitive armor industry that will provide advanced technology to the Army for the Block 3 tank; two innovative armors competing successfully for improvement to the M1A1; development of tandem-shaped charges that are effective against second-generation reactive armors; and very promising and potentially revolutionary results in the VSP program.

The original Joint Armor/Anti-Armor program was established to extend from FY 1986 through FY 1990. It is important to extend this program through FY 1991 and eventually make this program permanant. Despite the publicized conventional force reductions in Europe, the quality and modernization of Soviet armor is relentless and Soviet designs are showing up in Third World countries. Specifically, the emerging measure-countermeasure race between reactive armor and tandem-shaped charges demands the intellectual competition stemming from industry and national laboratory involvement.

Mr. Chairman, I respectfully request that the Subcommittee support an FY91 funding level of $55 million for the Joint Armor/Anti-Armor Program.

I would also like to express my support for another conventional weapons program. The Department of Defense and the Department of Energy established a memorandum of understanding (MOU) in 1985 for a five-year program known as the Joint DOD/DOE Munitions Technology Development Program. It is a cooperative, jointly funded effort of research and development to exploit the extensive technology base and unique facilities of the DOE nuclear weapons laboratories relevant to conventional munitions.

Significant gains have been made in conventional weapons technology by the joint program in the areas of anti-armor materials; new, safer explosives and safer propellants; advanced and hardened fusing; high-power microwave weapons; and low-cost guidance control. The program also returns benefits to the DOE laboratories in their nuclear weapons R&D mission.

When the MOU was established, the DOD and DOE were each to contribute $15 million annually. The five-year plan also provided for inflation in the outyears. Yet the FY91 budget contains only $8.3 million putting many components of the program in jeopardy.

Mr. Chairman, I respectfully request that the Subcommittee support a funding level of $31 million for the DOD/DOE Joint Munitions Program. Thank you for this opportunity to testify.

WEDNESDAY, MAY 2, 1990.

THE NONCOMMISSIONED OFFICERS ASSOCIATION OF THE UNITED STATES OF AMERICA

WITNESS

SGT. MAJ. C.A. (MACK) McKINNEY, NONCOMMISSIONED OFFICERS ASSOCIATION

INTRODUCTION

Mr. MURTHA. Our next witness is Sergeant Major McKinney, with the Non Commissioned Officers Association. Sergeant Major McKinney.

STATEMENT OF SERGEANT MAJOR MCKINNEY

Sergeant Major MCKINNEY. Thank you very much for this opportunity to be here today.

REDUCTION IN MILITARY PERSONNEL

We have had a number of important items that we have listed in our statement, pay, medical care, housing allowance, et cetera. However, on this particular occasion we are primarily concerned this year with the great probability of losing 100,000 or more personnel through involuntary separation.

Many of these enlisted people involved will suffer serious transition problems upon returning to civilian life after five or more years in the service of their country. Most never held a civilian job before entering the armed forces. Most will have little savings, if any, available for that transition.

SEPARATION PAY

Some will be shocked to learn that there is no separation pay. They may impact heavily on the further erosion of a small town economy. There are no immediate jobs awaiting their separation. They have to find housing, get utilities hooked up, get their kids in school and do things without military assistance.

There is no money for family medical care, they are no longer entitled to commissary and exchange privileges, and no low-cost family care centers. A grateful government awaits them with a three to five week waiting period before they can receive unemployment compensation, and then they can only draw it for 13 weeks whereas a civilian can draw it up to 26 weeks.

Separation pay. We find that this government has in the past been very generous to people other than our enlisted military personnel. In 1979, private sector workers put out of work were awarded an equivalent of $50,000 a year, some until they reached 65. We paid some Japanese workers $200,000 in separation pay and in 1989, Spanish workers received separation payments as high as $33,000. Only enlisted members of the active forces are not entitled to separation, severance or rehabilitation pay in any form, even if they have 19 years, 11 months and 29 days.

We think that is a cardinal sin. The absence of separation pay is the most serious matter and should be rectified this year. Hopeful-

ly we can urge you to cosponsor Jim Slattery's bill, H.R. 4037, which would provide separation pay for enlisted personnel.

Thank you.

[The statement of Sergeant Major McKinney follows:]

NCOA

Non Commissioned Officers Association of the United States of America

225 N. Washington Street • Alexandria, Virginia 22314 • Telephone (703) 549-0311

STATEMENT OF

Sergeant Major C. A. (Mack) McKinney USMC Retired

Legislative Counsel

before the

SUBCOMMITTEE on DEFENSE

COMMITTEE on APPROPRIATIONS

U.S. HOUSE of REPRESENTATIVES

SECOND SESSION, 101st CONGRESS

on

MILITARY PERSONNEL ISSUES, FY 1991

May 2, 1990

Chartered by the United States Congress

Mr. Chairman. The rapid changes that have occurred and are occurring across the face of Eastern Europe and Central America, in particular, demand a new strategy for the United States and its armed forces. Notwithstanding these alterations in socio-economic, political, and military policy, the United States cannot allow itself to be led down the proverbial "primrose path." Although the nation may be able to reduce its armed forces, it should be done in a prudent manner. The development and acceptance of a new defense strategy must be accomplished before the armed forces are downsized below the requested strengths recommended by our military commanders.

It is anticipated by some that there will be a peace dividend in this coming fiscal year budget. Designs already have been made on the extra money. To the designers billions of dollars will be available when military spending for the next four-to-five years is devoid of much of its wartime preparations costs. NCOA has no quarrel with those who wish to increase funding for the enhancement of socio-economic issues, but only if the United States;

a- maintains an adequate defense based on strategic requirements and not strategic budgeting, and

b- prioritizes expenditure of any "peace dividend" to those who earned that dividend- the men and women of our armed forces.

MILITARY MANPOWER

For nearly two decades Congress has appropriated billions of dollars to assure the United States it would have an all-volunteer armed force that wasn't "hollow" or "inexperienced." Apparently, the sense of Congress is now being driven in the opposite direction. Consequently, NCOA is concerned with the rush to slash military manpower strengths.

Reductions in any great numbers must be in an orderly fashion. Careful consideration must be exercised in judging who is to stay and who is to go. There is a major investment in the noncommissioned and petty officer ranks and it's important that these career-oriented servicemembers be given the ways and means, if selected for separation, to return to a civilian environment. This can be accomplished by authorizing and funding a transition package that contains, among other programs, separation pay for enlisted servicemembers (which will include noncommissioned and petty officers), equitable unemployment compensation benefits, an outplacement plan, and medical care for dependents with existing health problems.

THE TRANSITION

Many enlisted personnel suffer serious transition problems upon returning to civilian life after 5 or more years in the service of their country. Most never held a civilian job before entering the Armed Forces. Most will have little savings, if any, available for the transition. Some will be shocked to

learn:

o there is no separation pay, no financial reward from a military retirement plan they were supposed to be a part of-

o they may impact heavily on the further erosion of a small-town economy.-

o there is no immediate job awaiting their separation-

o they've got to find housing, get utilities hooked-up, perhaps buy furnishings, enroll the children in school, purchase seasonal clothing, and do all manner of things without military assistance-

o there's no money for family medical care (they're no longer entitled to free military care); there's no commissary, no exchange store, no free or low-cost child-care or family center, or recreational facilities; and few if any immediate veterans' benefits if not disabled.

o that a "grateful" government forces them to wait 4-to-5 weeks before receiving unemployment compensation and, then, for only 13 weeks; whereas, their civilian friends draw their first unemployment compensation check one week after losing their jobs and, if necessary, claim benefits for a full 26 weeks.

SEPARATION PAY

Many well-qualified and experienced noncommissioned and petty officers looking forward to a full military career will be involuntarily separated from active duty and sent home (or elsewhere) to transition to a civilian environment. Some will have 7, 10, or more years of honorable active service. Some will have served in Beruit, Grenada, Persian Gulf and Panama. their only fault will be that they are caught up in a frenzy to downsize the military manpower structure.

Not being commissioned officers, enlisted personnel are not protected by law. It's a quick and easy fix to unload them in lieu of commissioned officers who are protected under the provisions of the Defense Officers Personnel Management Act (DOPMA). Commissioned officers are entitled to separation pay up to $30,000, (if separated from the military service prior to attaining retired pay eligibility) while enlisted servicemembers receive not one penny.

The American-way of doing business, among other things, is highlighted by the application of separation (severance) payments or other benefits. Not only do most U.S. businesses provide these payments for severed employees, but so does the federal government. In addition to commissioned and warrant officers of the uniformed services, every federal employee, every quasi-governmental employee (i.e.- postal workers), and every foreign hire working for the U.S. government, may be entitled to

separation or severance pay under prescribed conditions.

For example: In 1979 private-sector loggers, put out of work by the U.S. government, were awarded an equivalent of $50,000 a year, some until they reached age 65.

In 1987 the U.S: paid an average of $200,000 per employee to Japanese workers employed by a bank which lost a contract with the Department of Defense (DoD).

In 1989, Spanish workers received severance payments as high as $33,000, even though Spain ordered the U.S. to quit the air base where it employed these workers. And in Germany, four workers, terminated when the Army and Air Force Exchange Service (AAFES) took control of the Army's liquor stores, received settlements ranging from $29,000 to $58,000.

Only enlisted members of the active forces are not entitled to separation, severance, or readjustment payments- even if they have served 19 years, 11 months, and 29 days of honorable service. They are separated with only the pay and allowances due on the final day of active duty.

Absence of enlisted separation pay is a most serious matter. It should be rectified immediately with the adoption of H. R. 4003, sponsored by the Honorable Jim Slattery, M.C. (KS), and seven of his colleagues, including the Honorable Floyd Spence, M.C. (SC).

UNEMPLOYMENT COMPENSATION

As noted earlier servicemembers honorably separated or discharged from the active components of the U.S. Armed Forces must wait four (4) weeks from the date of separation or discharge to apply for and receive unemployment compensation payments. Additionally, these young men and women are entitled to only 13 weeks of payments, whereas a civilian can apply immediately upon becoming jobless and receive 26-weeks of payments.

Currently, the House Ways and Means Committee is considering the repeal of 5 U.S.C. 8521(c), the unemployment compensation for ex-servicemembers (UCX) act. NCOA recommends this subcommittee's active support for the repeal and reject the DoD Appropriations Act for FY 1991 any cap applied to funding which provides less than 26-weeks of benefits for these servicemembers.

GUARD AND RESERVE

It is extremely important that Guard and Reserve (G/R) Forces stay at the ready particularly in the periods during and after any probable downsizing of the active forces. Should the premise that G/R personnel cost the government one-third the amount it takes to recruit, train, equip, and retain active duty personnel hold true, then NCOA recommends that an equal amount of any savings from downsizing the active forces be apporpriated for G/R personnel and units.

NCOA also recommends that qualified active duty personnel, involuntarily separated due to a downsizing, have first choice in volunteering for assignments to G/R units as members of the Active Guard and Reserve (AGR).

COMPENSATION

Military pay is now some 11.9 percent behind comparable pay in the private sector. That figure will rise to 12.8 percent if the Administration's cap of 3.5 percent for the January 1, 1991, pay raise is approved by Congress.

In addition to eight (8) pay caps in succession, to be followed by a ninth (9th) for FY 1991, there are other shortcomings. These are in housing allowances, both in basic allowances for quarters (BAQ) and variable housing allowances (VHA), that are currently costing military personnel out-of-pocket expenses in excess of those intended by federal statute. Living on the civilian economy is terribly expensive for most of our enlisted members, particularly in locales such as Staten Island, NY, Washington, DC, and San Francisco, CA.

NCOA is also concerned that Navy personnel married to other members of the naval service are not authorized housing allowances when assigned to sea duty. However, Navy personnel married to civilian spouses may receive housing allowances although assigned to identical duties.

Other concerns are: 1)- inadequate reimbursement of funds for

PCS moves (expenses run as high as $3.00 for every $1.00 in reimbursement); 2)- basic pay scales for certain noncommissioned and petty officers are deliberately compressed; 3)- partial reenlistment bonuses are lost due to involuntarily-induced reenlistment programs; and 4)- a better method of compensating bachelor servicemembers is needed.

NCOA invites the subcommittee's attention to these important "people issues." Continued pay caps and out-of pocket losses may soon drive out what will be left of skilled and experienced servicemembers. New training costs for replacements could be as great if not greater than adding another percentage point to the proposed January 1991 pay hike. And, retaining bachelor servicemembers is an economic-plus for the armed forces.

MILITARY HEALTH CARE

Progress is being made in the area of military health care. Nevertheless, a reappearance of many of its short comings are sighted on the horizon. When the active military forces are reduced so will the numbers of uniformed services health professionals and facilities. Military Treatment Facilities (MTFs) will close or cut services, less money will be appropriated to modernize facilities, and more and more retirees and dependents will be forced to seek care elsewhere.

NCOA has endorsed the Catchment Area Management concept but is not optimistic that such a program can survive in other than

areas where large MTF hospitals are operating.

Based on input from NCOA members and others in the West Coast/Hawaii military community, CHAMPUS Reform Initiative (CRI) and its concept of "resources sharing" is far more acceptable than straight-CHAMPUS and, in some views, better than MTF out-patient care. The only complaint we have received is on the administrative processing. This we believe should be easily remedied. As such, NCOA supports and urges Congress to expand the CRI program in areas where other health care programs are not available to military beneficiaries.

NCOA also endorses the authorization and funding of the following:

o Uniformed Service Treatment Facilities (USTF)-

o Use of Department of Veterans Affairs hospitals and treatment facilities to provide health care to military retirees-

o Medicare reimbursements to MTFs for treatment of military retirees and dependents over 65 years of age -

o Use of CHAMPUS by over-65 nonactive duty beneficiaries for care not available under Medicare, providing such care is not available in a military catchment area

o 100 percent CHAMPUS payments for active duty dependents accompanying servicemembers on permanent changes of station outside military catchment areas in the United States-

o Maintain the cost of participating in CHAMPUS at current deductibles with no user fee for out-patient care at MTFs.

SURVIVOR BENEFIT PLAN

The current high-option program adopted in the FY 1990 Defense Authorization Act is too expensive for the ordinary retired servicemember. NCOA believes the provisions covering the offer should be repealed and substituted for a plan that is proposed by The Military Coalition. It's proposal offers a high-option plan that provides an over age 62 survivor annuity in increments of 5 percent up to and including 50 percent of the covered amount of retired pay at a cost approximately of nine (9) percent of the participating member's retired pay. NCOA also recommends that eligible servicemembers wishing to participate in SBP during any future open enrollment period should be accessed an entry premium, the amount to be designated by the Secretary of Defense.

MISCELLANEOUS

MWR. Reduction in appropriations for morale, welfare, and recreation facilities and activities have not been good to junior servicemembers. Such members depend on these facilities and activities to fill leisure time. Providing healthy on-base MWR programs for young servicemembers programs lessens the chance of their becoming involved in questionable activities located off military installations. NCOA encourages an increase in MWR funds and continued funding for the military's commissary stores.

Impact Aid. The original law governing federal support for impacted schools provided financial aid only for the education of military children. Add-ons of other classes of children in the years following have played a part in reducing the funds earmarked for schools whose enrollments are impacted by children of military personnel. Many of these schools are now experiencing severe financial problems and may have to close their doors or lower the standards of teaching. NCOA recommends that Congress provide additional funds to assist such schools, in particular those that are located on military installations such as Fort Sam Houston, Randolph AFB, and Lackland AFB, in San Antonio, Tx.

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Travel and Transportation. No transportation is provided for the remains of spouses or surviving spouses to place of residence when such persons die while undergoing hospitalization in a Military Treatment Facility (MTF) or Uniformed Services Treatment Facilities (USTF). NCOA recommends that Congress adopt provisions for the transportation of the remains of spouses or surviving spouses to places of residence when their demise occurs while undergoing hospitalization at an MTF or USTF.

COLA. NCOA recommends that Congress reject the Administration's request to freeze cost-of-living adjustments to military retired pay in FY 1991 and cap COLAs at minus-1 percent of consumer price index (CPI) for 1992-1995. Such a request by the Administration is contrary to federal statutes guaranteeing full COLAs to all military retirees entering the armed forces before August 1, 1986.

Guard/Reserve Programs. Appropriate funds to support any programs authorized for uniformed G/R personnel for FY 1991.

Montgomery G.I. Bill. Increase the benefit level to $464.00 monthly for active duty participants, an amount equal to that paid under Chapter 107, Title 10, and a proportional amount for Guard/Reserve participants.

APPRECIATION

NCOA appreciates the attention and consideration given its views and recommendations herein. The funding of the issues addressed will be gratefully acknowledged by the men and women of the Armed Forces of the United States.

Mr. MURTHA. I appreciate your remarks.

We are aware of the difficulties that many of the enlisted service will face, and we are going to be very conscious of it. As a matter of fact, I have already talked to Secretary Cheney about this and he and I agree we are going to try to make reductions with the least amount of pain possible, but it is going to have an impact. Not only an impact on people coming out, but the impact of people not being able to get into the service from rural areas, and urban areas where there is high unemployment.

I appreciate your advice and we will certainly take a look at it.

Mr. MCDADE. Let me echo the comments of the Chairman. Thank you for your testimony. It is always well received. We appreciate your coming.

Sergeant Major MCKINNEY. Thank you, Mr. McDade.

WEDNESDAY, MAY 2, 1990.

NAVAL RESERVE ASSOCIATION

WITNESS

REAR ADM. LESTER ROBERT SMITH, PRESIDENT, NAVAL RESERVE ASSOCIATION

INTRODUCTION

Mr. MURTHA. Our next witness is Rear Admiral Lester Smith of the Naval Reserve Association.

STATEMENT OF ADMIRAL SMITH

Admiral SMITH. Mr. Chairman, distinguished Members of the committee, I greatly appreciate the opportunity to present the Naval Reserve Association's views for your consideration. Before I go further, I would like to thank you and your committee for the great work they have done over the years to maintain a vital and ready Naval Reserve. We truly appreciate that.

I ask that our prepared statement be included in the record.

Mr. MURTHA. Without objection.

MISSION OF THE RESERVE

Admiral SMITH. In the prepared statement we have tried to present issues we view as critical to the Naval Reserve from the perspective of the 25,000 officer members of our organization. While we do not necessarily concur with those who recommend wholesale transfer of missions and assets from the active to the reserve forces, we believe that pragmatic decisions necessary to accommodate near term defense budget restrictions will determine the total force mix.

Thus the real debate may center around not just what missions the reserves can accommodate, but rather what force structure and missions must be totally deleted from our nation's warfighting capability if the reserve components cannot assume that tasking.

BASE CLOSURES

Maintaining a presence in the high population centers, particularly those port cities hosting reserve ships, is of critical concern at a time when base closings are imminent. We urge that careful analyses and prudent decisions be made in critical areas prior to any base closures. These include total force size, total force mix, cost of unit relocations, construction costs, and the impact on Naval Reserve manning and readiness.

We specifically request funding to continue operation in fiscal year 1991 of the two Naval Reserve bases, NAS South Weymouth and NAF Detroit, scheduled to be closed early in fiscal year 1991, until these decisions have been completed.

REDUCTIONS IN FORCE

Until the congressionally mandated total force study is completed by the Department of Defense this year, it may not be possible to recommend specific mission transfers with any degree of certainty. However, we have made some proposals in our prepared statement based on our conclusions as to the inevitable near-term reduction of some portion of our active naval forces, even though these reductions were not included in the 1991 proposed defense budget.

If, in fact, aircraft carrier levels are reduced from 14 to 12 in the near term, NRA would suggest standing up a third reserve carrier airwing to conserve warfighting capability and retain the trained personnel and hardware of decommissioned airwings in a cost-effective ready status. This wing could be assigned to the carrier *Forrestal*, when she replaces the *Lexington* as a training carrier, thereby providing an additional deployable carrier with a ready airwing.

Also, should all the FF-1052 frigates be scheduled for decommissioning as has been proposed by some, it seems prudent to assign some number of those capable ASW ships to the Naval Reserve in a reduced OPTEMPO and readiness status, thereby retaining their capability at a reduced cost. Considerations should be given to basing some of these vessels in the Great Lakes near the population centers where veteran Naval reservists are located.

MODERNIZATION

We continue our support of past years for the modernization of the Naval Reserve Air and Naval Reserve Surface Forces. NRA specifically recommends:

Continuation of the Maritime Air P-3 modernization program. Upgrade of the SH-2 LAMPS MK 1 helicopter upgrade. Continued introduction of the A-6 family of aircraft. Introduction of the S-3 ASW aircraft into our Naval Reserve Carrier Airwings. Continuing procurement of C-130 and C-20 airlift support aircraft. Continued prototype development of the Naval Reserve Force frigate modernization package, procurement of the proven and cost-effective SQQ-T1 on board ASW trainers for our Naval Reserve Force frigates and continued procurement of both the MCM and MHC class minewarfare ships.

Rather than take the committee's time to go further into the specifics of our prepared statement, I will be to try to answer any questions you may have.

Mr. MURTHA. We appreciate your testimony. I had not thought of the carrier idea in the reserve, but we will take a look at that. We appreciate your coming before the committee.

Admiral SMITH. Thank you, sir.

[The statement of Admiral Smith follows:]

STATEMENT BY

RADM LESTER ROBERT SMITH, USNR (RET)

PRESIDENT

OF THE

NAVAL RESERVE ASSOCIATION

TO THE

DEPARTMENT OF DEFENSE APPROPRIATIONS SUBCOMMITTEE

OF THE

HOUSE APPROPRIATIONS COMMITTEE

2 MAY 1990

Rear Admiral Lester Robert Smith
United States Naval Reserve (Ret)

Rear Admiral Smith is National President of the Naval Reserve Association.

Admiral Smith was commissioned from the Naval Aviation College Program (Flying Midshipman). He served 39 years in the U.S. Navy and Naval Reserve. His duties included two Korean deployments with Fighter Squadron 52 (VF-52) flying 132 combat missions. In 1954, while still assigned to VF-52, he flew the part of LT Harry Brubaker (for Bill Holden) in the Paramount Pictures movie, "The Bridges at Toko-Ri". After graduating from the Naval Test Pilot School (class XIII), he was an experimental test pilot at the Flight Test Division of the U.S. Naval Air Test Center. His next assignment was to the NROTC unit at Georgia Tech, where he completed degrees in Bachelor of Aeronautical Engineering and MS (AE) with highest honors.

Among his numerous assignments in the Naval Reserve, Admiral Smith has had six tours as Commanding Officer: VF-701 (now VF-201); and augment units for the Naval Air Systems Command Headquarters, two Naval Air Stations units, the VTU and the COMNAVAIRLANT staff. He was Commander, Naval Reserve Readiness Command Region ELEVEN from 1981 to 1984. That command comprised fourteen Naval Reserve Centers in Northern Texas, Oklahoma, and New Mexico, with 5,000 Naval Reservists assigned.

Admiral Smith was employed with Chance Vought Aircraft, and successor companies, for 29 years. He held various project engineering positions, reaching Chief Project Engineer-F8U Airplanes. As the Crusader program started to phase down, he moved to the Program Management Office of the A-7A Corsair II. He held various positions in that office through Director-A-7 Programs. Admiral Smith was also Director-Special ADP Programs (now the B-2 Stealth bomber) for LTV Aircraft Products Group. He retired from LTV in 1987.

He is now Vice President, Program Development for Turbomeca Engine Corporation, the U.S. subsidiary of Turbomeca, France. Turbomeca manufactures turbo-shaft engines, primarily for helicopters. TEC provides Arriel engines to Sikorsky for the S76C and will provide the TM319 engine to McDonnell Douglas Helicopter Company for their new MD901 (MDX) NOTAR helicopter.

Rear Admiral Smith is active in numerous organizations. He is Chairman of the Military Affairs Committee for the Greater Dallas Chamber of Commerce; President of the Dallas Military Ball Corporation; Director of the Dallas Council of the Navy League; and Director of the Greater Dallas Reserve Officer's Association.

He is married to Carmen DeLuca of New Kensington, Pennsylvania. They have a daughter Mrs. Sherri Neumeier.

Mr. Chairman, distinguished members of the Committee, it is a privilege to have this opportunity to present the views of the Naval Reserve Association to the Committee for your consideration.

Recently the Naval Reserve celebrated its 75th Anniversary of its establishment by Congress in ceremonies conducted here in Washington, D.C. as well as across the nation. It is ironic that even as the exploits of the Naval Reserve are being extolled and acclaimed across the nation during this 75th Anniversary year, the seeds of its demise may already be germinating within the planning offices of the Pentagon.

The Total Force Policy, formulated out of economic necessity in the 70's, and maturing over the ensuing 20 years into an effective force composition policy in the 80's, faces both its biggest challenge and its biggest danger in the 90's.

Clearly in an environment governed by reduced Defense budgets, decreased Soviet threat, increased Soviet build-up/reaction mobilization lead times and the apparent loss of the Warsaw Pact nations as viable Soviet allies, it would appear that an even greater share of the defense burden could be assumed by the Reserve segment of the Total Force. For the Naval Reserve this could mean an enhancing role in providing an even more meaningful contribution to safeguarding our nation and its interests.

If however, the Department of Defense and Navy respond to these pressures as they did in the 70's exactly the opposite will occur, and a smaller, less combat ready Naval Reserve Force in the 90's can be expected.

In the past, a proven barometer of stormy seas ahead for the Naval Reserve has been the closure of Naval Reserve bases in the initial reduced funding cycle. Such an event occurred in the early 70's, and is again being proposed in the FY91 budget - clear evidence that the crucial nature of population demographics as the cornerstone of Reserve Force strength is again apparently being ignored.

To illustrate the point, the current proposed list of Naval Base closures not only includes two dedicated reserve bases at NAS South Weymouth, and NAF Detroit, but also includes active bases which support Naval Reserve units and which are contiguous to large population concentrations. NAS Alameda, NS Treasure Island and NAS Moffett, NS Long Beach, NS Philadelphia are also important sites for Naval Air and Surface Reserve units and support significant numbers of Naval Reserve aviation squadrons and surface combatant ships. Relocation of these reserve ships and aviation squadrons away from these population centers is difficult at best and destructive in the worst case. From a readiness and manning standpoint there would likely be substantial losses. Relocating commissioned ships, and aircraft squadrons and other units could require significant MILCON and not be affordable in today's tight military construction budgets. The increased travel costs alone may be prohibitive under

current budget constraints.

The Naval Reserve Association believes the decade of the 90's places the Naval Reserve at a crossroads. Clearly the Naval Reserve has the capability of providing a professional, veteran, and experienced naval force already trained by years at sea for the defense of our country and to do it at a fraction of the cost of a comparable force of active duty only.

The Naval Reserve Association believes that the nation should fully utilize its naval reserve, today over 150,000 personnel, in a way that recognizes both the economic and military threat realities of the 90's.

With a reduced threat combined with an increase in warning time the force structure should be redesigned and tailored for the Total Force requirement for the 90's, not necessarily by growth in numbers, but by a shift of focus. First, the Naval Reserve should provide more hardware units, (e.g. ships, squadrons) within limits dictated by manning demographics. Secondly, the active cadre of these units should be reduced to the minimum level necessary, and thirdly, the operational tempo of at least some of these units should be at a minimum level necessary to provide an acceptable readiness level.

These units should not be made part of the normal fleet deployment schedule as are the current Naval Reserve Frigates. Rather, they should, by design, provide occasional, but not routine, operations with the fleet. Extended

periods of fleet support could be provided by routine call-ups of limited numbers of reservists to support fleet requirements. Finally, and most basically, the Naval Reserve infrastructure of Naval Stations, Naval Air Stations and Naval Training centers must be maintained close to the population centers.

This, in the Naval Reserve Association's view, will provide the best and most responsive Naval Reserve Force attainable in a reduced budget environment. It also will retain the greatest number of ships and aircraft in an active responsive posture ready for rapid full time deployments. Planning offices and budget analysts must recognize that this nation's interests are global. A reduced threat in Europe does not necessarily equate to proportionate threat reductions worldwide.

The Total Force Policy Study Group, currently convened by the Department of Defense, will present their total force policy conclusions to the Congress in a report due later this year. This report could impact greatly on Total Force Policy and the force mix of the future. If the Total Force Policy, which as its central premise defines the Reserve components an integral component of this nation's defense, prevails, then the Naval Reserve can make an even more important contribution to the Total Navy Force. If it does not, if a myopic mind set defines the Reserve as "something you have after you have everything else you need" then we will be doomed to repeat the errors of the 1970's.

The message that difficult times are here should now be very clear to all of us. The Naval Reserve does not fare well in the FY 91 budget. The proposed closure of NAS S. Weymouth and NAF Selfridge, the continued reduction of Naval Reserve VP aircrews and the premature retirement of valuable P3 assets are serious actions affecting the readiness and continued viability of the Naval Reserve Force. These force reductions and base closures could well be the tip to the iceberg as additional "big time" reductions to come are being planned for the next budget cycle. This year's debate will center around the total force mix issue. How large an active component is required? How large an active component can be funded? How much force structure should be placed in the reserve segment of the total force?

In recent testimony given before the House Armed Services Policy Subcommittee the former Secretary of the Navy, Mr. Lehman, reiterated his views on force mix and the Naval Reserve as follows:

> "With such a major easing of the pace, a significant fraction of the ships and aircraft can be shifted to the ready reserve. Such reserve ships and squadrons would be manned 50% by active and 50% be weekend warriors. They would be firstline ships and planes kept fully abreast of fleet upgrades. They would operate on weekends and for longer active duty during fleet exercises. The savings are enormous.
>
> "For such a concept to work, the existing Naval Reserve

structure must be expanded significantly. Navy personnel policies - obsessed with career retention only - must be changed. More pay, more assignment flexibility, more local recruiting for each port, and more importance must be given to reservists.

"Officers and sailors on active duty, seeking to go into the reserves should not be treated as treasonous wimps. All enlistees should be given the option of a two year active duty obligation followed by six years in the drilling reserve. Similarly, graduates of the Naval Academy, NROTC and OCS should be given the option of three years active duty followed by seven in the drilling reserves.

" . . . In the Reagan years the Naval Reserve was nearly doubled, its commander raised to three star rank. New officer and enlisted programs were started aimed at bringing college and technically oriented kids onto active duty for two years followed by long reserve commitments. All these programs have been dropped or strangled in recent years and the Commander of the Naval Reserve has been demoted to two stars. As Congress has cut allowed numbers of officers, the navy has shifted its ROTC to emphasize not reserve but regular commissioning; the output of the Naval Academy, all regular, has been increased and that of OCS, mostly reserve, reduced to a trickle. Minimum active duty obligation for aviators has been lengthened to an incredible nine years from commissioning. We are evolving an officer-caste steadily more separated from society at large.

"If we make the shift to the reserves, sacrificing some peacetime deployment in distant waters, and accepting a

longer time to mobilize for war then with lower budgets we can yet preserve a fleet sufficient in the latest technology and large enough in size to continue to deter the Soviets from straying off their current more peacetime course, and ready enough to deal with the Quadafys of the world. If we do not shift, the declining budgets will make a hash not only of naval strategy but of the fleet itself."

The environment in which we now find ourselves can very easily result in both a hollow active force as well as a decimated ineffective Naval Reserve. It happened in the 70's. Hopefully we have learned from experience.

The changes in the world which have recently occurred are so massive and so far reaching in their effect that it is virtually impossible at this time to accurately assess their long range implication. In this situation the Naval Reserve Association believes that the FY 91 budget should at the very minimum preserve the existing Naval Reserve Force Structure until the reasonable threat assessment studies are completed and appropriate Force mix recommendations can be made by the Total Force Policy Study Group..

The Naval Reserve Association believes a well equipped and combat ready Naval Reserve is a most important option to preserve, and views with considerable dismay the DOD base closure plan which, if implemented, would deny the Naval Reserve access to the major population centers of Boston, Philadelphia, Detroit, Long Beach and San Francisco.

It is a fair bet that the 90's will see increased reliance placed on the Naval Reserve. In this environment, combat capable equipment is a most critical element. With the worldwide proliferation of modern weapon technology from missiles to very quiet and effective submarines there remains no really low threat hostile environment.

The Naval Reserve Association will address the following key issues affecting the Naval Reserve Force Combat readiness and capability:

- o Anti Submarine Warfare
  - Reserve Maritime Patrol Squadrons
  - LAMPS MK1 Upgrade
- o Reserve Carrier Airwings
- o Air Lift Operational Support Aircraft
- o Cargo Air Lift Support Aircraft
- o Naval Reserve Frigate Modernization
- o FF-1052 Frigates
- o Mine Warfare
- o Naval Reserve Manpower
- o Base Closures

Anti-Submarine Warfare

The Naval Reserve Force structure is heavily oriented toward anti-submarine warfare. The 13 Reserve VP squadrons, 3 HSL squadrons and the 30 Frigates comprise the greatest percentage of Reserve Force assets. Unfortunately, the age of the equipment assigned requires that they be upgraded to meet the current threat. The Naval Reserve Association has proposed over the past six years a series of equipment upgrades to this old equipment. Some of our proposals have been incorporated already and others are currently in the final stage of development.

Reserve Maritime Patrol (VP) Squadrons

The thirteen reserve VP squadrons are a large segment of the Naval Air Reserve Force. Since 1984 the Naval Reserve Association has expressed its concern over the block obsolescence and inventory shortfall of the P3 aircraft

assigned to the Reserve Program.

The publication of an NRA article entitled, "Countdown to Disaster," in the' July, 1988 edition of the NRA News clearly and graphically displayed the enormity of the inventory problems. Relative segments of this have been included in congressional testimony every subsequent year. The Naval Reserve Association has urged early action to avoid a crisis management environment. Sadly, successive plans to alleviate the P3 inventory problem have failed to materialize. New P3C production was terminated, the P3D plan production was proposed in 1985 and scheduled production of 25 aircraft per year in 1989 was terminated. The competitively bid P3C, now called the P3G, did not materialize but eventually evolved into the LRAACA program now called the P7. Unfortunately, this program which envisioned a P7 aircraft cost of $37 million has escalated in cost to the $50-$70/$80 million per aircraft including the avionics package and may well be canceled for affordability. Despite our concerns over survivability of the program in increasingly austere budgets, the Naval Reserve Association supports continuation of the LRAACA/P-7 development program and recommends funding for FY91/92 and out year production.

It is important to remember that the Soviet and third world submarine capability continues to improve and remains our number one threat.

In the face of this reality, however, the Navy and DoD have been forced by P3 inventory shortfalls into a major restructure of both active and reserve VP force squadrons.

The active Navy VP squadrons are reducing their crews by one and their P3 aircraft requirement by two from 9 to 7 aircraft. The Reserve VP squadrons are reducing their crews by 3 (from 15-12 per squadron) and their aircraft from 9 to 6 per squadron.

In the process, 74 P3A/B aircraft are being retired. In spite of the fact

that Congress restored all the funding for reserve VP aircrew personnel and VP operations in FY 90, the standard 9 aircraft /15 crew reserve squadron makeup has not been restored in the FY 91 and outyear budget request. (The manpower implications of this decision will be discussed in the Manpower section).

Recommendation:

The Naval Reserve Association recommends that funding and authorization be provided to restore the reserve land based maritime air VP to full wartime complement in both crews and assigned aircraft, and that no further reduction in the critical ASW forces be effected until ongoing force mix and threat analysis studies are completed. NRA further recommends that additional reserve P-3 squadrons be established if funding constraints require further reductions in either active P-3 squadrons or a PAA reduction within those active squadrons. Utilizing the current trained P-3 Squadron Augmentation Unit reserve personnel as a nucleus, it should be possible to man as many as 4 additional reserve P-3 maritime patrol squadrons.

Modernization of the Naval Reserve Land Based Maritime Air (VP) Force

As a result of the Active and Reserve VP force restructure discussed above eleven Naval Reserve VP squadrons and eleven Active VP squadrons will be equipped with P3B and P3C aircraft with a common AQA-7 acoustic processor at the end of FY 92. Recent developments concerning the cost of the P7 indicate at the very least a program stretchout is inevitable. Regardless of the success of the P-7 program, if the current 37-squadron force level is to be maintained, continued use of the existing inventory of AQA-7 baseline P3B/C aircraft will be required. In order for these aircraft to be able to function against the near term Soviet threat, the current suite of acoustic processors and displays must

be improved. The Improved Processing and Display System (IPADS), a Navy program which has been under development for several years, is undergoing operational evaluation and testing this summer. This system was designed to give the AQA-7 the equivalent acoustic processing capabilities of the UDIII system currently in the fleet. The number of processed channels is doubled from 16 to 32 (double the current UDIII capability) and for the first time there is provided 16 channels with broadband and DIFAR triple varniers. Funding for this critical program is essential if Reserve Force ASW capability is to be maintained.

This crucial Navy improvement program which has been in development and under Navy control since 1987 is currently undergoing Navy test and evaluation. Test results to date indicate all requirements and objectives of the IPADS program will be met. The flight test portion of the testing procedure will be completed in the July - Sept period of this year. The IPADS system is proving itself to be a capable low cost program offering significant improvement in current AQA-7 acoustics signal processing capability and providing significant growth potential. IPADS has the "provisions" to process the TSS, HLA, and ERAPS sonobuoys. The system architecture, modularity, and programmability of the IPADS design will allow the incorporation of future threat driven requirements, such as improved Sensors. These growth features will allow the IPADS to measure up to the threat and retain interoperability with other updated fleet P-3 aircraft.

Recommendation:

The Naval Reserve Association strongly recommends that funding of $70 million in FY 91 be provided in the Guard and Reserve Procurement account to install the IPADS system on Reserve Force P3B aircraft.

SH2 LAMPS MKI Upgrade

The long and sometimes difficult effort to modernize the Naval Reserve SH2 LAMPS MKI helicopter has begun to show dramatic results with the recent fly out of the new SH2G.

The Naval Reserve Association has been a strong supporter of this cost effective low risk improvement program. The installation of T-700 engines, on board acoustic processing, 99 channel sonobuoy receiver, tactical mission computer and aircraft/ship datalink greatly enhance the operational effectiveness of this aircraft. In fact, these incorporated changes provide a four-fold increase in ASW capability over the baseline SH2F.

Further inherent growth capability built into the avionic package will allow the incorporation of a new modular dipping sonar into the SH2G aircraft.

Recommendation:

The Naval Reserve Association strongly recommends the addition of $45 million in FY91 (six upgrade kits) to continue this important ASW improvement to Naval Reserve SH2 LAMPS MKI aircraft to the SH2G configuration.

Reserve Carrier Airwings

In the area of reduced Super Power confrontation and the resultant pull back from fixed overseas basing, the role of the navy carrier strike force becomes more important. No other segment of the total force capability provides the flexibility and responsivéness to respond as quickly and independently to safeguard our national interests.

NRA concurs with Navy leadership that it is prudent to maintain at least fourteen deployable aircraft carriers to protect our interests and our allies from a diversity of regional threats while maintaining a credible deterrent posture versus the Soviet Union. However, it appears that the perception of a reduced threat and fiscal restraints may force a reduction to thirteen or twelve carriers in the near term with attendant reductions in air wings. In that event, it would appear realistic to stand up an additional (third) reserve carrier air wing to retain the needed capability and trained personnel rather than just decommission and dismantle surplus squadrons. For those skilled airmen who would be RIFed or otherwise be surplus due to reduced Navy manpower requirements, the additional reserve wing would provide productive reserve assignments, and also provide the warfighting capability of a trained ready carrier air wing to augment the active forces.

This new reserve air wing could be assigned to the carrier Forrestal when she soon replaces the venerable old Lexington as the training carrier at Pensacola. This would provide an additional deployable cost effective aircraft carrier complete with a ready air wing.

The two current Naval Reserve Carrier Airwings have been an important part of our carrier strike force for many years. Their importance will continue to grow in the 90's.

An element critical to the effectiveness of a carrier airwing is the capability of their assigned aircraft. The assigned aircraft must be front line and as fully capable as their active Navy counterparts. To be readily deployable, the reserve wings should mirror image the active wings in aircraft across the spectrum. Because the reserve carrier airwings must be supported by an active navy carrier when deployed, the assigned reserve aircraft must be compatible with the maintenance and support package of the carrier.

These factors demand that Naval Reserve Airwing modernization continues in

the 90's. The most critical issues facing the Naval Reserve Airwings today is the introduction of A6E, KA6, EA6 B aircraft into the airwings and completion of the airwing complement with S-3 ASW aircraft.

Recommendation:

The Naval Reserve Association strongly supports the continued procurement/remanufacture of the critical A6 family of aircraft as required to ensure Naval Reserve Tactical Airwing requirements are fulfilled, and that S-3 ASW aircraft be assigned to the wings either through the initiation of new procurement or as a result of the currently planned S-3 PAA reduction in the active airwings.

Airlift Operational Support Aircraft

The Naval Reserve's only medium-lift operational support aircraft have been a three plane C-131H squadron based at the Naval Air Facility, Andrews AFB Maryland. One crashed on an acceptance test flight after contractor rework, the second aircraft reached the end of it's structural service life and was removed from service in December, 1989, and the remaining C-131F will also be retired by the end of this fiscal year.

The Center for Naval Analyses study of Navy Wartime organic airlift requirements identified a shortfall of 29 medium-lift aircraft needed to support high priority logistic demands of a fleet deployed worldwide. The Navy Air Logistic Office consistently documents substantial shortfalls in CONUS medium-lift airlift availability, resulting in denial of Navy lift requests or inefficient utilization of larger logistic aircraft. Congress recognized this cirtical shortfall in medium-lift capability and provided for the acquisition of a C-20F for the Naval Reserve Force in the FY 90 budget.

The C-20F has a side cargo door and meets all the specific Naval Reserve reqirements for the medium-lift mission. It can carry 27 passengers or a mix of passengers cargo totalling 9000 pounds. No other aircraft in the Navy organic aircraft fleet currently provides medium-lift capability. Both the Air Force and the Army have C-20s based at Andrews AFB for potential commonalty of support.

Recommendation:

That $57.1M be provided in the Fiscal Year 1991 budget for the acquisition of the two remaining C-20F aircraft, spares and training.

Cargo Air Lift Support Airlift

The most recent Center for Naval Analysis airlift study validates a wartime Navy organic air lift requirement for 29 C-130 type aircraft with tail loading capability for palleted and oversized cargo. The current Naval Reserve shortfall in medium/heavy cargo aircraft resulted last year in the ability to meet only about 65% of their CONUS air lift requirements. There are only 7 C-130s in the Navy inventory and they are aging early models, all out of CONUS. The Navy has proposed a fleet of 12 C-130s for the Naval Reserve divided into 4 squadrons.

Recommendation:

The Naval Reserve Association strongly supports authorization and funding by the Congress of the 2 C-130Hs requested in the 91 Defense Budget for the Naval Reserve as the first increment of procurement.

Naval Reserve Frigate Modernization

Even before the dramatic changes which have occurred in the Soviet Union the Naval Reserve Force of eight 1052 and eighteen FFG-7 frigates was programmed to grow with the transfer of an additional twenty-four 1052 Frigates to the Naval Reserve during the FY90 - FY93 period.

For the past six years the Naval Reserve Association has requested Congress to supply funding to permit a modest but absolutely essential upgrade to the ASW and battle management systems on these Naval Reserve Force Frigates.

Continued Congressional support has resulted in upgraded towed arrays (AN/SQR-18), acoustic processors (AN/SQR17A), onboard antisubmarine Warfare trainers (AN/SQQT1) to be developed and procured in limited numbers for reserve force frigates.

Congress has also strongly encouraged the navy to develop and request funding for a Frigate modernization program suited for both the FF 1052 and FFG-7 class.

Although funding has not been included in the FY91 budget request for this program, the development of a frigate modernization prototype has been accomplished utilizing prior years' funding. Essentially, this program further enhances frigate modernization discussed above by incorporating current engineering changes, improved performance of existing systems to evolve a low risk, low cost frigate modernization package.

Modest add on funding is required in FY91 to complete the remaining portion of the required engineering changes and to procure the ship sets necessary for testing. It is expected that a production run modernization package will cost approx $12 million per ship.

Recommendation:

It is strongly recommended that add-on funds be provided in FY91 in the amount of $11.5 million to complete prototype development and testing of the frigate modernization package.

1052 Class Frigates

In lieu of the proposed decommissioning of all the 1052 class Frigates, NRA advocates retaining some of these very capable ASW ships in the Naval Reserve in a reduced readiness status. A substantial reduction in the percentage of full time manning and the resulting increase in the selected reserve crew would be cost effective and justify retention of these valuable national defense assets whose primary mission is wartime convoy escort. Reducing the readiness status would allow basing some of these vessels in the Great Lakes at/or near population centers such as Chicago, Milwaukee, Detroit, Toledo, Cleveland, Buffalo, etc. where there are substantial populations of veteran Naval Reservists. Transit time via the St. Lawrence Seaway to open ocean deployment can be accommodated within the increased warning time as now perceived by SECDEF and other defense authorities.

Mine Warfare

The Naval Reserve Association supports the continued procurement of both the MCM and MHC class ships. With the planned program completion of these ships the Navy will be able to conduct effective coastal and open ocean mine warfare operations. The COOP program encompassing port O acute transit route operations remains in a conceptual stage without a dedicated hull or an identified electronic package. This critical program needs to be further defined and developed.

Recommendation:

The Naval Reserve Association supports the continued procurement of both MCM and MHC. Further, every effort should be made to introduce the MHC class minehunters into the Naval Reserve Force as quickly as possible. Efforts to define and establish an effective COOP program should also be continued.

Naval Reserve Manpower

The Naval Reserve Association is gravely concerned about certain proposals in the FY91 budget request which, if approved, will have serious implications on Naval Reserve Manpower and combat capabilities.

One is the continued reduction in FY 91 of 33 percent of the Naval Air Reserve Land based Maritime Air ASW Flight crews. This proposal was rejected by Congress last year and full RPN and O & MN funding was appropriated to restore these air crew personnel vital to the continued success of our ASW capability. Although FY90 funding was restored, the Navy questions the authorization of the 540 billets, consequently the FY91 budget continues these reductions. Certainly if the threat were decreasing, if the soviet submarine force was becoming smaller and less capable, then perhaps our ASW forces could be reduced. Unfortunately, such is not the case, in fact, just the opposite is true. Every DoD witness, the chairman of the JCS, the CNO, and the Sec of the Navy, have stated that the Soviet Submarine force is their number one warfighting concern. Further, they have stated that our margin of ASW superiority has been and is continuing to narrow. If this is the case, is it prudent to reduce 33% of the reserve VP force and reduce operational ASW flight hours by approximately 4000 hours per year and seriously degrade an already narrow margin?

Recommendation:

The Naval Reserve Association urges the restoration of $3.5 million in RPN and 540 Reserve Personnel Navy billets authorization in FY91 for restoration of VP squadron air crew personnel.

Base Closures

Another area of grave concern is the catastrophic impact the proposal to close NAS S. Weymouth and NAF Selfridge will have on Naval Reserve training and readiness. Since there is no announced plan to relocate the Naval and Marine reserve units supported at these locations, closure will result in the losses depicted below:

NAS South Weymouth, Massachusetts

- Forty Naval Reserve commands including an essential long range Naval Reserve VP ASW squadron
- A shipboard helicopter ASW squadron
- A marine attack squadron and a marine helicopter squadron
- 2200 weekend reservists
- 1120 active duty personnel
- 300 civilians

NAF Selfridge Michigan

- A long range Naval Reserve VP squadron
- A fleet logistics squadron
- A Seabee Battalion
- 2,054 Reservists
- 467 active duty personnel
- 63 civilians

It is ironic that even after the Naval Reserve units are disestablished, the base will continue to operate in support of Air Guard and Marine reserve units. One wonders where are the savings?

Recommendation:

The Naval Reserve Association strongly opposes the closure of both of these reserve bases on the grounds that no suitable relocation sites have been identified. Relocation costs could exceed the proposed savings, and most importantly the loss of the trained reserve manpower is not in the best interest of the defense of our nation.

Military Construction Naval Reserve

The FY 91 Military Construction Naval Reserve (MCNR) budget of $50.2 million is strongly supported by the Naval Reserve Association. The construction

projects proposed are high priority and essential to the continued modernization and viability of the Naval Reserve.

The Naval Air Station, South Weymouth, as well as the Naval Air Facility at Selfridge AFB outside of Detroit, has been nominated for closure in FY91. The Naval Reserve Association believes that there is a budget need to reduce the number of bases. However, we are extremely concerned about the closure of Naval Reserve facilities without careful planning for the relocation of the commissioned reinforcing and augmenting units aboard those bases. Relocation of units from bases contiguous to large population centers to those at great distances and near smaller population areas will have detrimental effect on the manning and readiness of those units and the Naval Reserve.

Loss of such strategically located facilities greatly diminishes the ability of the Naval Reserve to attract and retain its most valuable asset, i.e. its drilling reservists. Historically, such losses have not been recouped at the new drill site for many years, if at all.

While the aforementioned sites are the only "dedicated" Naval Reserve sites proposed for closure the Naval Reserve Association is equally concerned about the closure of:

NAS Moffett Field
NAS Alameda
NS Treasure Island
NS Long Beach and
NS Philadelphia

Aboard all of these locations are Naval surface and/or air reserve training and support activities necessary for the continued operation of Naval Reserve surface and air units. Further, of equal importance, the location of these Active Navy facilities contiguous to large population centers is of great

importance to the Naval Reserve. The Naval Reserve is located where the people are; not a necessary requirement with the Active Navy.

Recommendation:

The Naval Reserve Association urges that:

1) Comparative planning defining the relocation requirements, with attendant construction costs if required, be completed.

2) Base closures impacting Naval Reserve units be evaluated for impact on manning and readiness.

3) Force size and Force mix decisions be developed before any base closure decisions.

4) Base closures decisions be prudently made considering Total Navy Force requirements.

WEDNESDAY, MAY 2, 1990.

NATIONAL MILITARY FAMILY ASSOCIATION

WITNESS

DORSEY D. CHESCAVAGE, THE NATIONAL MILITARY FAMILY ASSOCIATION, INC.

INTRODUCTION

Mr. MURTHA. Our next witness is Ms. Dorsey Chescavage, of the National Military Family Association. Ms. Chescavage

STATEMENT OF MS. CHESCAVAGE

Ms. CHESCAVAGE. Good morning, Mr. Chairman.

The National Military Family Association is deeply grateful for the interest and concern shown to military families by you, Mr. Chairman, and your subcommittee. As you know, military families are uneasy in this time of uncertainty.

COLAS FOR HIGH-COST AREAS

NMFA is concerned about the families of those service members who will be retained on active duty and those who will be involuntarily separated in the next few years. Active duty families of today cannot depend on a consistent life style. Families stationed in high-cost areas cannot make ends meet. Housing costs, insurance rates, transportation costs, and health care costs in these areas can double or triple those of their last duty station. NMFA recommends a study be conducted on the feasibility of providing COLAs to service members stationed in high-cost areas.

FAMILY SUPPORT PROGRAMS

Military members are looking critically at DOD as an employer. If DOD is to be a competitive employer, it cannot cut back on family service and support programs. An example is two thirds of all family advocacy cases are being turned away in San Diego because of understaffing. Over 12 Navy children and three spouses died in fiscal year 1989 because of abuse.

CHAMPUS PROGRAM

DOD must also carefully evaluate managed care proposals for the CHAMPUS system. These programs must be balanced by a clearly defined health care benefit which includes guaranteed access.

DOD must also take steps to support the return to civilian life of those involuntarily being separated. Efforts to extend their eligibility for active duty benefits and services at military installations will only impede this process.

NMFA joins NCOA in support of the bill H.R. 4003, which provides separation pay for enlisted members. NMFA also requests

that these separating families be provided comprehensive relocation and outplacement services. Service members should be enrolled in programs that will include skill training or civilian jobs. Liaison with destination area job placement services should be part of the program.

Separating service members and their families should be eligible for CHAMPUS at active duty rates for three months after their separation from active duty. Members enrolling in uniformed services voluntary insurance plan, or U.S. VIP, within that three-month period should continue to be eligible for CHAMPUS care at active duty rates for one year for documented preexisting conditions. Since many medical insurance plans will not cover maternity benefits for one year and U.S. VIP does not cover them at all, NMFA suggests that service members and family members who are pregnant at the time separation orders are received should be covered under CHAMPUS at active duty rates. Proposals for the government to partially subsidize U.S. VIP premiums should be carefully considered. Since premiums must be paid up front, costs will be incurred regardless of the receipt of medical care. Under the above CHAMPUS proposal, costs will only be incurred if medical care is actually delivered.

SUMMARY

Families must remain together during the transition phase. Service members and their families serving overseas should have at least a six-month assignment in the United States before they are released from active duty.

Briefings on Veterans benefits, GI Bill benefits, et cetera, should be offered during normal duty hours, be mandatory for service members and encouraged, with paid child care, for family members.

This suggested transition program will cost money. However, the draw down in force will decrease long-term costs such as health care and retired pay.

Thank you, Mr. Chairman, for allowing NMFA to express its views today.

Mr. MURTHA. We appreciate your suggestions because they are excellent ones. We have also been thinking about a wide range of remedies. I think certainly one of the most important suggestions is a placements bureau which will be serious about trying to find jobs for those leaving the service. Of course, some sort of medical coverage is necessary until their time of enlistment is up if they are to be separated involuntarily.

We suggested to the services that they try not to separate people prematurely. We know that there are people who are qualified and who expect to spend 20 years in the military. We know this will be a very disruptive time and we are going to do everything we can in this Committee to make sure we have adequately funded programs to take care of that situation.

We appreciate your suggestions and we will take a look at them.

[The statement of Ms. Chescavage follows:]

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Statement of

DORSEY D. CHESCAVAGE
Senior Specialist
The National Military Family Association, Inc.

Before the

DEFENSE SUBCOMMITTEE
of the
COMMITTEE ON APPROPRIATIONS
of the
HOUSE OF REPRESENTATIVES

May 2, 1990

Not for Publication
Until Released by
the committee

The National Military Family Association (NMFA) is a volunteer, non profit organization composed of members from the seven uniformed services, active duty, retired, and reserve, and their family members and survivors. NMFA is the only national organization whose sole focus is the military family and whose goal is to influence the development and implementation of policies which will improve the lives of those family members. NMFA appreciates this opportunity to express its views.

We are deeply grateful for the interest and concern shown to military families by you, Mr. Chairman, and your subcommittee. As you know, military families are uneasy in this time of uncertainty. They are watching the actions of Congress and the Department of Defense closely. We are confident that this subcommittee will continue to support military personnel and their families.

Today, we will discuss two families: those of well qualified service members that the Department of Defense (DoD) must retain on active duty, and the families of those members who will be involuntarily separated through no fault of their own.

The active duty force of the future will be smaller than the current one. The members of that force will need to be even more flexible and capable of more varied missions. To attract and retain personnel able to meet these challenges, the needs and concerns of their families must be addressed. Overall compensation must be competitive. Quality of life must be attractive. Both must remain reasonably consistent from one duty station to another.

INCONSISTENT LIFESTYLE

The Variable Housing Allowance (VHA) program was implemented to correct the inconsistency in housing costs. Unfortunately, insufficient funding and the current law, which proscribes a true "catch up," caused this program to fall far short of its goal. The reported 20% of housing costs that service families absorb out of pocket does not reflect the entire problem with the VHA program. DOD states that service members under report their housing and utility costs by 10% or more when responding to VHA calculation surveys.

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Housing costs are not the only problem for military families in high cost areas. Automobile and household goods insurance rates can double and triple those of the last duty station. Transportation costs are higher either in the form of increased rates for public transportation, longer commutes requiring more gas and more frequent car maintenance, and/or bridge, road, tunnel or ferry fees. Parking fees may be charged at some duty stations. Out of pocket costs for medical care are often higher, as providers who accept CHAMPUS assignment are more difficult to find. Dental care is usually more costly. The E-6 stationed at Fort Hood, Texas, who is sent to Fort Ord, California, may find himself and his family constrained to a life style of an E-3 or less. NMFA recommends a study be conducted on the feasibility of providing COLAs (Cost-of-Living-Allowances) to service members stationed in high cost areas.

UNCERTAINTIES

Pay rates more than 11% behind the private sector, variable medical costs, and uncertainty about promised retirement benefits are not new concerns. Additionally, concerns about housing, family separations, inadequate Permanent Change of Station (PCS) reimbursement, and child care always appear among the top "dissatisfiers" for military families. If we look at the "satisfiers" in military life, always at the top is job security; retirement benefits become more important as the service member accumulates 10 or more years of service.

Headlines that constantly talk about "Peace Dividends"; drastic force cuts; tens of thousands to be returned from overseas and sent home; proposals to keep pay raises substantially below inflation; plans to freeze retiree pay; and proposals to require Non-Availability-Statements (NAS) for out-patient care under CHAMPUS are producing extremely high levels of uncertainty, fear, and stress. Additionally, the reduction in some Family Service and Support Programs caused by the DoD civilian hiring freeze is exacerbated by the threat of budget cuts in these same programs. Many Family Service and Support Programs, including family member employment, crisis counseling, financial counseling, and family counseling, are one staff person deep. When that one person goes the program goes. Family advocacy programs in San Diego are turning away two-thirds of all cases because they do not have the necessary staff. At least twelve Navy children

and three spouses died in FY 89 because of abuse. Is this the time to cut back on these programs?

DoD AS AN EMPLOYER

Military members and their families will certainly look critically at DoD as an employer. If DoD is to be a competitive employer, it must show that it will and is taking steps to support the return to civilian life of those involuntarily being separated. DoD must provide consistent benefits and sufficient compensation for those it wishes to retain and must realize that service families endure hardships that are unique to the military lifestyle. The young Navy family stationed far from extended family must be able to find the support it needs within the military community. This may include "drop in" child care at the base Child Development Center while the service member is deployed. Nothing is more likely to add stress to the young mother who is far from extended family support, living in a high cost area, with her husband at sea for 6 months, than not having a safe and affordable place to leave her two year old for a couple of hours a week.

The military health care benefit must be consistent. Health care should be accessible, and affordable. Complicated appointment systems geared more to discourage than improve access, clinics that periodically close to certain beneficiary populations, non-availability statements (NAS) denied for in-patient care because the procedure may be performed at a Military Treatment Facility within the next two years, and increased out of pocket expenses do not add up to affordable, accessible quality health care.

The proposal to require NAS for out-patient care will only add another bureaucratic bottleneck to the system, increasing beneficiary frustration. Managed care proposals for the CHAMPUS system have merit, but they must be balanced by a clearly defined health care benefit which includes guaranteed access. Beneficiary satisfaction appears to be extremently high in the CHAMPUS Reform Initiative (CRI). Military families seem to be responding favorably to this combination of managed health care and guaranteed access. Now that military families in California and Hawaii have had a chance to participate in a managed care system, it would be interesting to see if utilization rates differ from those in the direct care system or under standard CHAMPUS.

Permanent Change of Stations costing over $1,000 in unreimbursed expenses as well as failure to assist the spouse in finding new employment are not the mark of a competitive employer. Housing allowances should reflect the costs of housing within a reasonable commute to the duty station. Government housing should mirror the type of living quarters enjoyed by the service member's civilian peers. Stacked berths on ships while homeported, open bay World War II barracks, and 1940 style family housing that has not been adequately maintained nor repaired will not be enticements to retain a quality force. Certainly, strides have been made in many areas. Forty-four Child Development Centers were authorized and funded for FY 90. However, the number of children needing spaces continues to grow. "Drop In" care in most centers is becoming a relic of the past. The active duty dependent Delta Dental Plan has received rave reviews from most military families. Families would like more services covered under the plan and they indicate a willingness to pay higher premiums for those services. New bonuses for military doctors and nurses and funds provided to hire additional support personnel in MTFs should enhance the recruitment and retention of medical personnel. A funeral was not held for Navy medicine, and although it still has a long way to go, it is on the mend. Household goods weight allowances have been raised. Alaska and Hawaii were added to the Overseas Student Travel Program, and it is again (we assume permanently) a school to duty station benefit.

The picture is by no means all negative, but now we are at a cricital point. Congress, the Administration, and the Services must demonstrate their commitment to competitive compensation and equitable benefits for all military members and their families if they are to retain and attract a high quality force.

SEPARATING FAMILY

The Country has never before reduced a volunteer force – members in uniform because they choose to be. The treatment of these families will strongly affect the ability of DoD to recruit and retain the force of tomorrow. In addition to the obvious unfairness of just handing walking papaers to these families, the Country will also be saying something rather significant about how it views military people as individuals and how it recognizes sacrifices they have made.

With the expectation that Congress, the Administration, and DoD do want to offer departing service members and their families some form of assistance, NMFA suggests the following transition program.

Separation Pay and Unemployment Compensation

HR 4003 has been introduced in the House to provide separation pay for enlisted service members using the same formula as is currently in law for officers. Enlisted members do not now receive separation pay. Legislation has also been introduced in the House that would provide the same unemployment compensation benefits to military personnel as those received by their civilian peers. Civilians are eligible for 26 weeks of unemployment compensation and may be paid from the time of unemployment. Military personnel are only eligible for 13 weeks of unemployment compensation and cannot receive benefits until they have been separated for 4 weeks. NMFA strongly supports both pieces of legislation as not only fair, but long overdue.

Relocation Services

Departing service members should be given information about the area where they may wish to locate. This information should include housing costs and availability, employment opportunties for the departing service member and spouse, educational opportunities for the service member and family members, child care, medical care, and cost of living. Permissive leave similiar to that given for house hunting trips to a new duty station should be granted.

The Congressionally mandated relocation program that DoD is developing is only intended to provide information about areas surrounding military installations. Undoubtedly, many involuntarily separated service members and their families will relocate in areas without military installations.

Outplacement

Service members should be offered training to transfer military skills to civilian job skills. Job search techniques, resume preparation, and interview techniques should be taught. Service members must be made aware of the local,

state, and federal employment assistance available to them at their intended destination. Trained counselors should be available to follow up with individual assistance to service members in all areas of the job search process. Liaison with destination area job placement services should be part of the program. Training sessions and individual counseling should be made available to the service member during normal duty hours. Current military spousal employment programs may be unable to adequately serve a large number of spouses of departing service members. Therefore, these spouses should be included in the service member's outplacement program, if they desire.

The Department of Labor's pilot employment assistance program may well be effective for the typical service member detaching prior to retirement and to the new retiree, but it does not appear to be designed to meet the specific and individual needs of service members departing the service against their will. It should be noted that spouses are ineligible for the full services of the Department of Labor Transition Assistance Program.

Mandatory Briefings

Attendance should be mandatory for service members and encouraged (with paid child care) for family members at briefings on Veterans benefits, GI Bill benefits, life insurance, and the Uniformed Services Voluntary Insurance Plan (US VIP), sponsored by the DoD and offered by the Mutual of Omaha Insurance Company (See attachment). Counselors knowledgeable about these programs should be available for all departing service members.

Medical Care

Separating service members and their families should be eligible for CHAMPUS at active duty rates for three months after their separation from active duty. Members enrolling in US VIP within that three month period should continue to be eligible for CHAMPUS care at active duty rates for one year for documented pre-existing conditions. Since many medical insurance plans will not cover maternity benefits for one year and US VIP does not cover them at all, NMFA suggests that service members and family members who are pregnant at

the time separation orders are received should be covered under CHAMPUS at active duty rates.

Proposals for the government to partially subsidize US VIP premiums should be carefully considered. Since premiums must be paid up-front, costs will be incurred regardless of the receipt of medical care. Under the above CHAMPUS proposal, costs will only be incurred if medical care is delivered.

Family Stability

Families should remain together during the transition phase. Studies have shown that even a routine Permanent Change of Station (PCS) produces an increased stress level in the family. Voluntary separation results in even higher stress levels. Participation of all family members in the decision making process during transition enables the family to function in a more positive manner.

Service members and their families serving overseas should have at least a six month assignment in the United States before separation could be effected.

WORD OF CAUTION

The current Family Service and Support operation cannot support the additional work load incurred by this transition program. These programs were designed and intended to support the active duty force. They are currently underfunded and undermanned. Since these programs are for the most part one person deep, the delegation of such a person to the transition program, even temporarily, will mean the cessation of that program for active duty families.

COST

This suggested transition program will cost money. If fully implemented, however, the services should see a reduction in their obligations for unemployment compensation. The draw down in force will decrease long term costs such as health care and retired pay.

NMFA's suggestions for both families offer a unique "two-fer." Current studies show that children of active duty personnel are 50% more likely than their peers to become the military families of the future. Therefore, whatever program is offered to current family members, whether counseling for abusive families, child development programs, youth programs, quality educational programs, or other positive experiences, the program benefits the Country today and is an investment in tomorrow.

In summary, NMFA strongly believes the inconsistency and uncertainty of compensation and benefits must be addressed immediately if service members of the caliber needed in the force of the future are to be retained. Those being involuntarily separated must have a transition program that allows them to enter the civilian world with adequate protection for their health needs, knowledge of conditions at their intended destination, and appropriate training to enter the civilian labor market. The legislation needed for this transition program, separation pay, and expanded unemployment compensation, must become effective before the first military family is involuntarily separated.

WEDNESDAY, MAY 2, 1990.

AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

WITNESS

JOHN N. STURDIVANT, NATIONAL PRESIDENT, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

INTRODUCTION

Mr. MURTHA. Our next witness is Mr. John Sturdivant, of the American Federation of Government Employees.

STATEMENT OF MR. STURDIVANT

Mr. STURDIVANT. Good morning, Mr. Chairman, Mr. McDade. I am John Sturdivant, national president of the American Federation of Government Employees, AFL-CIO. Our union represents over 700,000 Federal workers nationwide of which some 300,000 work in the DOD. I thank you for the opportunity to testify on the fiscal year 1991 Appropriations bill for the DOD.

There are many important issues affecting our DOD employees which the Appropriations Committee will consider. I will limit my statement today to the following issues which we deem to be of greatest importance: contracting out, personnel levels, DOD base closures, and issues relating to civilian technicians.

DEFENSE SPENDING REPORT

Prior to discussing these specific issues, I would call your attention to the AFGE position paper that is attached to this statement. This paper, United States Defense Spending in the 1990s, was recently approved by the AFGE National Executive Council. The purpose of the paper is to provide an historical perspective of defense spending within the context of the current political and economic environment. From this review, we have identified DOD issues that will significantly affect Federal employees in the 1990s. Based upon these issues, we have recommended specific actions to be taken in achieving a strong national security posture, a strong economy, and a viable DOD work force. We appreciate the opportunity to offer this document for the committee's consideration.

CONTRACTING OUT

As you know, AFGE has been critical of the current contracting out program as conducted under OMB Circular A-76. That criticism has been based upon major flaws in this program to include lack of cost reporting, lack of employee participation in the process, and the inordinate length of time required to complete the cost studies.

We were especially heartened that this committee included report language accompanying the fiscal year 1990 Appropriations bill that required the Secretary of Defense to report to the committee on September 30, 1990 those studies that had been terminated for exceeding the time limits cited in your report. Unfortunately,

the latest public information from OSD on this subject is that they are "still looking at the problem." We consider this lack of responsiveness to be unacceptable. It seems to us that the committee's report language gave DOD a perfect opportunity to clean up their backlog and start anew. Based upon the OSD lack of response to your fiscal year 1990 guidance, AFGE recommends that the committee deny use of fiscal year 1991 appropriations for new A-76 cost studies until the Secretary submits a report of terminated studies and implements the additional administrative changes called for in the report language.

REDUCTION IN FORCE

AFGE fully recognizes that civilian work force levels should be consistent with the DOD mission and that as the DOD budget is reduced, there will be commensurate changes in the work force level.

As part of this effort, there is currently a hiring freeze in DOD. In our comments to DOD on the hiring freeze, we noted that the department utilizes several types of civilian employees, Federal employees, consultants and service contractors, and that all types of employees should be subject to reduction as budget levels are reduced.

We would also point out that as reductions are effected, attention must be given to severance pay, retraining, job placement and relocation of displaced Federal employees.

BASE CLOSURES

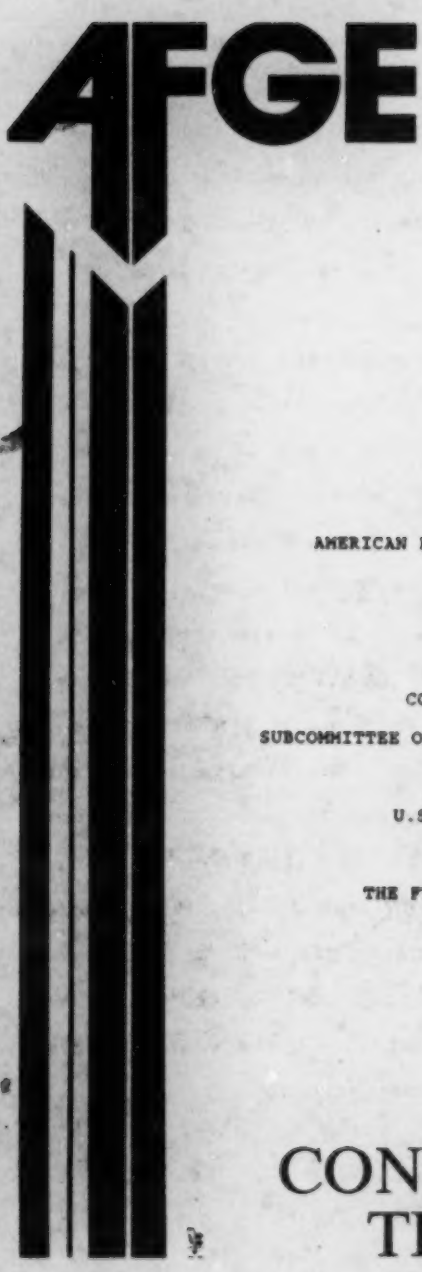
The subject of DOD base closures is receiving much attention. As we know, legislation has been enacted that will close 85 military installations. This action was taken before the sweeping political events of late 1989 in Eastern Europe. These changes in the Warsaw Pact-NATO equation require a complete reappraisal of our overseas and Continental U.S. base structure.

Mr. MURTHA. We are going to look at the statement you have submitted, and we will put the entire statement in the record.

We appreciate your recommendations and we appreciate your appearance before the committee.

Mr. STURDIVANT. Thank you, Mr. Chairman.

[The statement of Mr. Sturdivant follows:]



American Federation of
Government Employees, AFL-CIO

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STATEMENT

BY

JOHN N. STURDIVANT

NATIONAL PRESIDENT

AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

(AFL-CIO)

BEFORE THE

COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEE ON DEPARTMENT OF DEFENSE APPROPRIATIONS

U.S. HOUSE OF REPRESENTATIVES

ON

THE FY 1991 DEFENSE APPROPRIATIONS

ON

MAY 2, 1990

CONGRESSIONAL TESTIMONY

Mr. Chairman, my name is John Sturdivant. I am the National President of the American Federation of Government Employees (AFGE), AFL-CIO. Our union represents over 700,000 government workers nationwide, 35% of whom work in the Department of Defense. I thank you for the opportunity to testify on the FY 1991 Defense Appropriations Bill.

There are many important issues affecting our DOD employees which the Appropriations Committee will consider. I will limit my statement today to the following issues which we deem to be of greatest importance: contracting out; personnel levels; DOD base closures; and issues relating to civilian technicians. Prior to discussing these specific issues, I would call your attention to the AFGE position paper that is attached to this statement. This paper, "United States Defense Spending in the 1990s," was recently approved by the AFGE National Executive Council. The purpose of the paper is to provide an historical perspective of defense spending within the context of the current political and economic environment. From this review, we have identified DOD issues that will significantly affect Federal employees in the 1990s. Based upon these issues, we have recommended specific actions to be taken in achieving a strong national security posture, a strong economy, and a viable DOD workforce. We appreciate the opportunity to offer this document for the Committee's consideration.

Contracting Out

As you know, AFGE has been critical of the current contracting out program as conducted under OMB Circular A-76. Our criticism has been based upon major flaws in this program, which include lack of cost reporting, lack of employee participation in the process, and the inordinate length of time required to complete the cost studies. Our latest information concerning the burdensome, time-consuming study process, as reported by GAO, is that of 940 cost studies underway in DOD as of January 1989, four hundred eleven were started in 1983 or earlier. We were especially heartened that this Committee included report language accompanying the FY 1990 DOD Appropriations Bill that expressed extreme dismay on this subject. You further required the Secretary of Defense to report to the Committee on September 30, 1990, those studies that had been terminated for exceeding the time limits cited in your report. Unfortunately, the latest public information from OSD on this subject is that they are "still looking at the problem." We consider this lack of responsiveness to be unacceptable. It is particularly disconcerting to note that while almost 50% of DOD's contracting out studies are past the seven year mark, they continue to announce large numbers of studies every year. It seems to us that the Committee's report language gave DOD a perfect opportunity to clean up their backlog and start anew. Based upon the OSD lack of response to your FY 1990 guidance, AFGE recommends that the Committee deny use of FY 1991 appropriations for A-76 cost studies

until the Secretary submits the report of terminated studies and implements the additional administrative changes called for in the report language.

Personnel Levels

AFGE fully recognizes that civilian workforce levels should be consistent with the DOD mission and that as the DOD budget is reduced there will be commensurate changes in the workforce level. As part of this effort, there is currently a hiring freeze in DOD. In our comments to DOD on the hiring freeze, we noted that the department utilizes several types of civilian employees -- federal employees, consultants, and service contractors -- and that all types of employees should be subject to reduction as budget levels are reduced. We would also point out that as reductions are effected, attention must be given to funding for such costs items as severance pay, retraining, job placement, and relocation of displaced federal employees. A separate issue that we want to point out is an unintended impact of the Military Spouse Preference Act. Under this legislation and the current DOD hiring restrictions, vacancies can be filled by eligible military spouses without regard to qualifications and to the exclusion of highly qualified and experienced individuals. This situation must be remedied.

Base Closures

The subject of DOD base closures is receiving much attention. As we know, legislation has been enacted that will close 85 military installations. This action was taken before the sweeping political events of late 1989 in Eastern Europe. These changes in the Warsaw Pact-NATO equation require a complete reappraisal of our overseas and continental U.S. base structure. Based on these significant factors, AFGE calls for a "freeze" on all military installation closure actions pending development of a three-step plan for force reductions and installation closures. The first step in this three-step plan should be the initial reduction of overseas forces and closure of overseas installations. Subsequent to the overseas drawdowns, continental U.S. military installations should be fully utilized. The third step in the process should be closure of continental U.S. military installations that are no longer required for national security. Concurrent with these actions, there should be a comprehensive economic conversion effort to reduce the economic impact of base closures on geographic regions, communities, and individuals who are affected by these decisions.

Civilian Technicians

I would like to speak for a moment about the problems faced by civilian technicians in the National Guard and Reserve Components. Despite these years of budget restraint, military

managers continue to request increased appropriations for the more costly, less efficient active duty guard and reserve members (AGRs). We urge this Committee to continue the decreased funding for the AGR program and to increase funding for the more economically efficient civilian technician.

The Federal Labor Relations Authority has described the status of National Guard Technicians as employees who are employed in full-time civilian positions to administer and train the National Guards and to maintain and repair the supplies issued to the National Guard or the Armed Forces. But, as civilian employees, they enjoy none of the job protections of their civilian counterparts elsewhere. They must maintain dual status as civilians and as soldiers in their units. They must pass through a retention process on their part-time military side that is too often arbitrary in nature. They have no right to appeal this "military" decision regardless of how egregious the action is. Some of the civilians who have been actively seeking improved labor management relations through union activity have been rejected by the military as unfit Reservists. This leaves the impression, if not the reality, of anti-union animus. These continuing difficulties in managing civilian employees have resulted in a number of situations that are demoralizing and counterproductive.

The history of the citizen/soldier in this country is a long and honored one. Indeed, our military operates on the premise that it must be kept under, and be subordinate to, the civil authorities. Yet, in the case of the civilian technicians, the situation has, over the years, become one of creeping militarization of our civilian workforce. We believe there is an inherent danger in this subtle military encroachment. The situation involving the civilian technicians is one where the military is no longer existing for the purpose of protecting the rights of civilians; but, in fact, they are taking away the technicians' rights as civilians.

A prime example is the military forcing civilian technicians to wear their reservist uniforms during their civilian work hours. At the same time, these civilians wearing a military uniform are not allowed any of the privileges of a soldier. They cannot use commissaries, PX's or health facilities. They do not receive free dental coverage or subsidized housing. We urge the Committee to include language in this year's appropriation measure terminating the practice of requiring full-time civilian employees to wear their weekend uniforms while performing civilian duties.

One additional problem that needs the Committee's consideration is the need for appeal rights. Currently, the National Guard's civilian technicians can only appeal adverse actions to the Adjutant Generals (AG) -- a state-by-state political

appointee. Employees in any workforce should be able to appeal adverse actions to an independent arbitrator without fear of political bias. That is why the Merit Systems Protection Board exists for other federal employees. Some say that the nature of the civilian technicians' work would require "special understanding." If this is the case, we would not oppose the establishment of a separate board of appeals, similar in structure to that used by the State Department employees, to hear civilian technician adverse action cases. At least, the civilians would have some hope for a neutral and impartial judgment on the merits of their cases.

I will summarize our request with respect to civilian technicians to the Committee as follows:

1. Reduce the number of AGR positions;

2. Eliminate the uniform requirement for civilian technicians;

3. Provide impartial appeal rights to civilian technicians who face adverse actions.

Mr. Chairman, we would ask the Committee to encourage and support the growth of civilian technicians as they have proven to be the most efficient and economical component of our military readiness capability.

Finally, in 1985 Congress exempted civilian employees in the Department of Defense from the requirements of the Monroney Amendment. The outcome is that many DOD prevailing rate employees are being paid a lower rate of pay than their counterparts in other federal agencies in the same city. DOD has consistently sought special rates of pay for its blue collar workers in these locations. The need for special rates would be substantially curtailed or not necessary if DOD were subject to the requirements of the Monroney Amendment.

Thank you very much for your time and consideration.

UNITED STATES DEFENSE SPENDING IN THE 1990s

THE AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

I. INTRODUCTION

The members of the American Federation of Government Employees share with all Americans a deeply held concern about the national security of our country. When faced with difficult issues related to the government service needs of our people, annual budget deficits, the overall economy, and the dynamic changes occurring in the world political structure, AFGE has a strong obligation to participate in the critical debate concerning national defense spending levels. In this vital area of defense spending, it is necessary to discuss such key issues as the recent political changes in Eastern Europe, the easing of tensions with the Warsaw Pact, nuclear and conventional force reduction treaties, overseas U.S. force levels, military and civilian personnel levels, training, mobilization capability, National Guard and Reserve missions, and basing posture. Each of these essential categories, and its priority within the defense budget, have a substantial effect upon the overall level of defense spending.

During the 1980s, there was a dramatic increase in the Department of Defense budget. Using 1990 dollars, defense spending increased from just over $200 billion in 1982 to about $300 billion in 1987. This dramatic rise in outlays was driven by substantial acquisition of new weapon systems, heightened research and development, and significant military construction programs.

Accompanying the emphasis on weapon systems procurement was an attendant expansion in the size of the military services as well as training, operations, and maintenance. This increased spending level was generally supported by the American public and the U.S. Congress for the first half of the decade. As a result, the trend in defense spending reached a new height when in 1987 the Reagan Administration requested $320.2 billion in new budget authority for the Department of Defense. However, the U.S. Congress did not support the 1987 Presidential Budget request and essentially leveled outlays for Defense at the $300 billion mark. These defense spending appropriations have been maintained in the $290-300 billion range until 1990.

The significance of defense spending on the national economy in the 1980s is demonstrated by the President's budget for 1987. This request for $320 billion in new budget authority was $34.2 billion, or 11%, more than the 1986 requested level of $286 billion. For the period 1987-1992, President Reagan wanted to spend $1.8 trillion on defense. This proposed defense spending would have continued the most rapid increase of military spending in the peacetime history of the United States. The amount requested for 1987 ($320 billion) was more than two and one-quarter times the $144 billion appropriated in 1980. These unprecedented increases were not structured upon clearly defined national security objectives, but were more often than not based on "slogans" such as "the 600-ship Navy" or "a flexible response to regional conflict." In addition, annual defense budgets were

defended by a series of number games -- a new number every year -- such as percent of estimated GNP, percent increase after estimated inflation, and real dollars after deflation. It was no wonder that the American public and the U.S. Congress, faced with this unprecedented defense spending, began to ask, "How much is enough?" But, there appeared to be only one answer, "More than last year."

Accompanying the upswing of defense spending in the 1980s was an overwhelming increase in United States budget deficits and substantially decreased services in other federal government agencies. From the period 1981 to 1987, the annual budget deficit rose from about $45 billion to $250 billion. The burden of interest payment on this unprecedented budget deficit was a major factor in the Congressional action to contain the rising cost of defense spending in the years 1987-1990. These continually increasing budget deficits also had an erosive effect upon the American economy by supporting high interest rates and lower rates of personal savings. Thus, the United States exited the 1980s propelled by a complex set of converging and powerful vectors that included high levels of defense spending, unacceptable annual budget deficit levels, and a demanding need to address growing national economic and social priorities. These dynamic elements have now been met by the new force of world events that will be the major factor in framing defense spending in the 1990s.

II. THE 1990S, A DIVIDEND FOR DEMOCRACY

The dramatic events that occurred in Eastern Europe in 1989 were spawned by glasnost, peristroika, and the nuclear disarmament treaty between the United States and Russia. Bolstered by Soviet President Gorbachev's new openness to change and the weakening of the Soviet economy, the people of East Germany, Hungary, Poland, Czechoslovakia, Bulgaria, and Romania took to the streets and brought about sweeping political changes that were previously unpredicted. Within the last six months of 1989, Communist-dominated regimes in all of the Eastern European satellites have been overthrown in relatively non-violent revolutions. Most significant, these dramatic changes were made without interference from Russian military occupational forces. As a result of these unforecast events, the diplomatic and military situations in Europe have been fundamentally altered. In addition, the equation for United States defense spending in the 1990s must be rewritten to accommodate the changes brought about by the economic weakness of the Soviet Union, breakthroughs in arms control, and the emerging freedom of the Eastern European countries. The United States must now cast the defense budgets for the 1990s by assessing the reality that the 1989 revolutions in Eastern Europe have bypassed the realm of arms control negotiations. We need to understand that these recent changes are the dominant thread in every aspect of political, economic, and military spectrums. Our national security planning in the 1990s must recognize that the Warsaw Pact is now an empty shell. We need to understand that Soviet military

planners can no longer rely on utilizing the one million soldiers, 18,000 tanks, and 2,000 airplanes from the armies of Poland, Czechoslovakia, Hungary, East Germany, Bulgaria, and Romania. We must also realize that each of these new governments will inevitably call for and negotiate the withdrawal of Soviet troops from their territory.

Based upon these realities, the United States must now develop a national security planning strategy upon which to base defense spending for the 1990s. Without extensive development of a national security strategy, the crucial links of planning, programming, and budgeting will continue the discordant process that pervaded the defense buildup in the 1980s. A key element in our national security strategy is an understanding that economic weaknesses have been a dominating factor in bringing about the political changes in the Soviet Union and Eastern Europe. We need to include in our security assessment the fact that economic necessities are dictating political and military policy. A dominating theme in our emerging national security strategy should be that, compared to the era since 1950, economic and diplomatic initiatives will prevail over military solutions in many areas of international conflict in the 1990s.

III. WHERE DO WE GO FROM HERE?

The members of the American Federation of Government Employees see the recent changes in Soviet-American relations and the surge for free governments in Eastern Europe as an unprecedented opportunity for our great country. Because of the significant military buildup of the 1980s, U.S. defense spending stands at the $290 billion level. Even if one disagreed with the pace and details of this rapid increase, it would be equally imprudent to call for an immediate dismantling of our military forces in the early 1990s. In fact, the very arguments that were presented against substantially increased defense spending in 1980s are very useful in debating a defense drawdown in the 1990s. The development of a set of guidelines based upon these arguments is a necessary process.

First, efforts should be directed toward development of a comprehensive national security strategy. This strategy will need to assess in detail the changing forces of the world economy, the "new" Europe, disarmament treaties, and the myriad of other elements that affect the security of our nation. It is realized that this effort takes time and that it is ever changing. Concurrently, the value of this endeavor demands that it be undertaken as a systematic part of our budget process. We must discontinue the past practice of basing our defense budget on ever-changing numbers and easy slogans. Instead, defense budgets for the 1990s must be based on clearly stated national security objectives and an accompanying analytically-based national security

scenario that can be shared with the American public to justify specific military budget requests. This national security planning process should include biennial updates that reassess changing economic, political, and military factors.

A second important step in our military budgets for the 1990s is the necessity to reduce spending through an incremental, phased process. As a nation, we need to realize that during the 1980s we built a formidable and highly effective military capability. We also need to realize that dismantling these forces overnight would neither be wise nor prudent. Alternatively, to maintain the same level of forces in view of a decreasing threat would be equally unwise. Utilizing a revised and emerging national security strategy, a better course of action is to utilize the 1990 defense budget ($290 billion) as a starting point for an orderly "rampdown" of military spending. In order to implement such a "rampdown" many formulas may be proposed, such as a decrease of approximately one and one-half percent annually, plus the forecast rate of inflation. Utilizing a stepdown of this type would provide time to: (1) plan and program phasing for orderly military force changes; (2) incrementally assess any future national security changes; (3) allow the national, regional, and local economies to adjust to these changes; and (4) offer an opportunity for the American public and the U.S. Congress to determine our changing domestic social priorities. Implementation of a phased reduction based on these planning factors (one and one-half percent plus inflation) would result in approximate defense spending levels of:

1991 - $290 billion;
1992 - $273 billion;
1993 - $257 billion;
1994 - $241 billion;
and 1995 - $227 billion.

Following a fiscal plan along these guidelines results in a $63 billion reduction over the four-year period or an average annual reduction of $12.6 billion. In percentages, the reduction is about 22% overall from the $290 billion baseline, which would be 5.4% annually for the four-year period. Compared with the military spending increase during the 1980s from $205 billion in 1982 to $295 billion in 1986, phase-down of this type is much less dramatic. A "rampdown" approach would also provide valuable time to decide whether available resources should be allocated to reduction of annual budget deficits, reallocated to national social needs, or applied to a combination of deficit reduction and domestic priorities. These military spending reductions would also occur over a period of time when the American public could affirm or reject the trend by expressing themselves during a series of Congressional elections and the Presidential election of 1992.

IV. HOW DO WE GET WHERE WE'RE GOING?

Whether in planning an increase or decrease in defense spending, the processes are complex and difficult. At the same time, development of selected guidelines are very useful tools in the planning process. The members of the American Federation of Government Employees are convinced that the following guidelines should be evaluated in the debate concerning how to reduce military spending in the 1990s.

In the evaluation of the changing European political situation, detailed assessment should be given to the decreased threat from the Warsaw Pact. The 1989 revolutions in Eastern Europe have reduced Warsaw Pact armies by one million soldiers. In addition, Soviet military planners will now have to calculate the probability of active resistance to Soviet forces attempting to attack NATO across Eastern Europe. During the period 1990-1995, there is a strong likelihood that Soviet occupational forces will be withdrawn from all of the Eastern Europe countries. These significant factors must be included in our military budget planning because, by some estimates, 60% of the annual defense budget is dedicated to maintenance of military forces to defend Europe. This spending includes maintaining about 325,000 military personnel in Europe (with about 300,000 dependents) as well as logistics requirements and augmentation forces in case of an all-out invasion. An additional factor that relates to the size of our military force in Europe is the warning time available before an invasion. During the 1980s, the NATO policy on warning time has

been 48 hours. This short warning time required a high state of military readiness, increased on-site munitions, high inventory of replacement parts and equipment, and rapid-deployment forces dedicated to NATO. All of these planning assumptions generated increased costs. Current NATO diplomats now report that there is little likelihood of a surprise Soviet attack on the West. In fact, many sources now indicate that the NATO policy of planning should be changed from 48 hours to between 40 to 50 days. Based upon the decreased Warsaw Pact forces and the increase of NATO warning time, the required level of U.S. forces in Europe should be fully evaluated.

The assessment of military force levels and base posture in Europe should be the first step in a three step plan for overall installation closures. Subsequent to reductions in Europe and other overseas areas, military installations in the continental United States should be fully utilized to accept any troops relocated from overseas. At this point, an additional issue to assess is the need for U.S. bases to train and deploy forces to overseas areas. The third step in this process should only happen after overseas bases have been closed and the attendant troops relocated or demobilized. Pursuant to the overseas phase-down, any continental U.S. bases that no longer meet a national security requirement should be closed.

Hand-in-hand with any plan to close U.S. bases, we need to develop a comprehensive economic conversion effort to reduce the impact of base closures on geographic regions, local communities,

and the many individual citizens who are affected by such an action. When a large military installation is closed, the economic impact reaches far beyond the military and civilian employees who are displaced. In the communities surrounding an installation, a base closure causes substantial readjustment by banks, medical care providers, the real estate industry, home builders, merchants of all types, city and county governments, schools, and every activity that supports the current population. The directly affected civilian employees are faced with severe changes due to loss of job and possible geographic relocation. Assuming that some military installations will be closed in the 1990s, programs to assist communities should be incorporated into the installation closure process. For individual federal employees, programs for job placement, retraining, education, and relocation should be incorporated into the overall base closure process.

Related to the utilization of continental U.S. bases, we need to assess the need to stockpile any necessary, usable equipment, ammunitions, and materials for a rapid expansion of military forces. The National Guard and Reserve have long provided a vital part of our national defense. During the 1990s, we need to continue expansion of Guard and Reserve missions in order to achieve the economies available from the citizen-soldier concept. In the process of active military reductions and Guard/Reserve expansion, a thorough and objective study of the Active Guard Reserve (AGR) program and its affect upon the mobilization capability of the Reserve components should be conducted. There

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are significant signs that the AGR program is causing an erosive, negative effect upon the technician program that has served so well since its inception.

In the process of military budget reductions and changes in the overseas force posture, a number of key support areas must be maintained in balance with the combat forces. Among these important areas are: (1) spare parts and ammunition for rapid mobilization and deployment; (2) improved command and control communications, and (3) maintaining the infrastructure of research, development, and logistics support for the military forces. In an era of greater dependence upon rapidly deployable conventional forces such as the 1990s, each of these key support areas must be funded at a balanced level with the combat arms.

Department of Defense spending on service contracts, or contracting out, is another area of concern. Recent GAO reports and military service investigative reports have pointed to serious deficiencies in the contracting out program, both in terms of lack of cost controls and lack of satisfactory performance. In addition, there is no systematic, annual budget reporting on contracting out costs in DoD. Despite these reports of severe problems, the Office of Management and Budget has increased the pressure on DoD to do more contracting out. This is especially the case in the Army, where proposals are active to contract ammunition depots and industrial operations that are in direct support of combat equipment and mobility. The people of AFGE have long called for a halt to A-76 activities and for a comprehensive study of not

only the cost of contracting out, but also the reliance of private contractors to perform essential mobilization and mobility functions.

In the process of reviewing defense spending and procedures, attention should be given to both areas of potential reductions and areas in which appropriated monies may be recovered. One of these latter areas is government property furnished to DoD contractors. General Accounting Office and Department of Defense officials have publicly testified that property in the hands of DoD contractors had an acquisition cost of $22 billion. Of this amount, about $14 billion is government-furnished material and about $8 billion is government-furnished equipment. It is believed that even these figures may be understated because contractor records do not adequately account for this property and the Department of Defense does not have the financial or management systems to verify contractor records.

The House of Representatives Committee on Government Operations has twice reviewed this problem and has identified the situation as a "golden opportunity for waste, fraud, and mismanagement, an opportunity that has not gone begging." The Committee found that contractors had been issued far more property than they needed, that excess property was sometimes used on commercial contracts, and even sold back to the Department of Defense. DoD officials have been aware of and working on this problem since 1981, but the proposed solutions do not go to the heart of the dollar waste. The basic question is, "Why do we

continue giving billions of dollars in property to contractors at all?", particularly when they abuse the use of that equipment and do not account for its location. This is an area in which billions could be saved by (1) not furnishing the property except by lease or sale; and (2) recovering the current property for either excess sale or lease/sale to contractors. During a period of defense budget reduction, this is a situation that should be investigated with the intent to stop a wasteful practice, recover available equipment or revenue from sale, and apply these dollars to high priority budget requirements. AFGE calls for action in this area immediately.

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V. SUMMARY

In order to retain a strong national security posture and maintain a strong national economy, the members of the American Federation of Government Employees call for the following actions during the 1990s:

- Development of an analytically based national security strategy, recognizing that world economic necessities, in particular economic necessities in both the United States and the Soviet Union, have attained dominance over military policy.
- Reduction of United States military spending from the current level ($290 billion annually) at a phased rate. As an example, reductions of approximately one to one and one-half percent annually plus the expected rate of inflation result in approximate spending level goals of: 1991 - $290 billion; 1992 - $273 billion; 1993 - $257 billion; 1994 - $241 billion; and 1995 - $227 billion.
- All military installation closure actions should be cancelled pending development of a three-step plan for force reductions and installation closures. The first step in this plan should be the initial reduction of overseas forces and closure of overseas installations. Subsequent to the overseas drawdowns, United States military installations should be fully utilized. The third step in this process should be closure of continental U.S. military installations that are no

longer required for national security.

- Develop a comprehensive economic conversion effort to reduce the economic impact of base closures on geographic regions, communities, and individuals who are affected by these decisions. Consideration should be given to appointment of a joint Congressional-Executive Bipartisan Committee for Economic Adjustment. This Commission would be empowered to make specific recommendations concerning coordination, timing, program phasing, and other steps that would reduce the economic and social impact of military installation closures and reduced defense spending on geographic regions, communities, industries, and individual citizens.
- Legislation should be enacted that provides adequate funds for job retraining and placement for federal employees who lose their jobs as a result of military installation closures. In addition, the job placement capability of organizations such as the Human Resources Developement Institute(AFL/CIO) should be utilized in the effort to asssist displaced employees.
- Emphasize spare parts and ammunition acquisitions for rapid mobilization and deployment of conventional forces.
- Improve command and control communications.
- Reform the procurement system by increasing training and grade levels of procurement specialists.
- Enhance the roles and missions of the Guard and Reserve.

- Conduct a comprehensive study of the Active Guard Reserve (AGR) program and eliminate all AGR non-mobilization positions immediately.
- Conduct an objective study of the cost of contracting out and DoD's reliance on private contractors for mobilization.
- Stop providing billions in government property to DoD contractors and take action to recover current government property by revenue generating lease/sale.
- Maintain the infrastructure of research and development and logistics support for military forces.
- Stockpile the necessary, useable equipment and materials for a rapid expansion of military forces.

WEDNESDAY, MAY 2, 1990.

MILITARY TECHNICIANS

WITNESS

COL. MILTON BOGOLUB, U.S. ARMY RESERVE

INTRODUCTION

Mr. MURTHA. The next witness is Colonel Milton Bogolub, United States Army Reserve. Colonel Bogolub.

STATEMENT OF COLONEL BOGOLUB

Colonel BOGOLUB. Mr. Chairman, thank you for the opportunity to appear before this subcommittee and again be permitted to tell you about the Army Reserve Full Time Support Program from the viewpoint of a major command SSAA. On behalf of all the SSAAs I wish to thank you for your March 1990 letter to the Chief, Army Reserve.

FULL-TIME SUPPORT PERSONNEL

It has been estimated that 75 to 85 percent of military technicians hired after December 1983 would not have been able to attain retirement. I hasten to add this was no minor oversight. Although the new regulation had not yet been published, the provisions for retention were already implemented. The AGR officers on the OCAR staff knew full well what they were about. But this is to be expected. Over the years AGRs have taken control of most of the policy-making positions to full-time staffing in the Army Reserve.

Every year congressional direction concerning technicians continues to be deliberately violated and subverted. Every year brings a new dirty trick, a White Paper, a center concept plan, changes in job descriptions and TDAs, all with one objective—to do away with the military technician and replace him with an AGR.

But there is a bright side. Almost every year a new investigative report is published which invariably indicates that the AGR program is inordinately expensive and that technicians are as much a military asset as the AGR, and can perform the same functions at less cost, but these reports are invariably disregarded. Just as this year's GAO Report 90-43, the Army's Full Time Support Program will probably be filed and forgotten.

The report does, however, indicate some things that I would like to bring to your immediate attention. The AGR staff officers at OCAR and FORSCOM have been trying for years to convince this committee that the military technician is a civilian and only an AGR can perform military functions. While many technicians, especially those who are graduates of Command and General Staff College and the Army War College, knew this was not so, we were happy to note, as stated in the GAO Report, that it is also not the policy espoused by the Department of Defense.

I quote,

According to DOD officials, the majority of FTS positions require military personnel because they are wartime deployable positions. Officials from the Office of the Assistant Secretary of Defense for Reserve Affairs told us that they believe that

when an FTS position requires a military person, it can be filled by either an AGR soldier or a military technician. Even though technicians are Federal civilian employees, they are also, in most cases, required to belong to the Reserves. As a result, military technicians mobilize and deploy with the unit to which they belong and, as such, are considered military assets.

To further indicate DOD's designation of the military technician as a military person, in an enclosure to his letter of reply to the GAO report, the Assistant Secretary of Defense for Reserve Affairs indicated: "The DOD policy is to use civilians in positions not requiring military personnel but in this context, military technicians are military personnel."

It would be nice if the Chief, Army Reserve agreed.

BUDGET REDUCTIONS

We have recently been notified of impending cuts of Reserve spaces due to budget constraints. It is submitted that dollars required to maintain USAR and TPU structure and strength could be attained by cutting AGR staff spaces at OCAR, FORSCOM and higher levels, or converting these to civilian incumbency. There are also many positions occupied by AGRs throughout the Army that are questionable as to their relationship to the USAR and to USAR readiness.

In addition, a careful review of AGR spaces in TPUs will also reveal many positions, such as full-time inspectors general, that could be returned to Reserve incumbency with no effect on readiness. It is noted that while units will be inactivated, Reservists spaces reduced and technicians RIF'd, there are no plans for reduction of AGRs.

If I were more clever, I would devise a new designation for Army Reserve Support Personnel. The terms AGR and military technician would never be used again. There would be no winners or losers.

Support personnel would be in a separate capacity requiring them to be mobilization assets. They could or could not wear their uniforms or use their military titles. The infrastructure would utilize TDAs based on workload and real needs of the Reserve units. The strength, structure and grades would be realistic and based on appropriate military grades and positions.

This would attract dedicated individuals who will make the Army Reserve their lifetime careers. And finally, it should be properly managed and absolutely not by individuals dedicated to its extinction.

After more than 40 years with the Reserve program, I have been subjected to almost every conceivable command and control scheme.

While forces command has been chastised over the years for problems associated with the management of the Reserve program, I hasten to add that as early as 1983 it was recognized that it was not FORSCOM, per se, but instead Reserve officers on tours of active duty that has provided the so-called——

Mr. MURTHA. I have to stop you there. The Committee has been wrestling with this problem, we appreciate your advice and will certainly take it into consideration.

Thank you.

Colonel BOGOLUB. Thank you, sir. We appreciate it.

[The statement of Colonel Bogolub follows. The enclosures to Colonel Bogolub's statement were retained for the Committee's files.]

STATEMENT

MILTON BOGOLUB

COLONEL, FIELD ARTILLERY, USAR

STAFF SUPERVISORY ADMINISTRATIVE ASSISTANT

78TH DIVISION (TRAINING)

SUBCOMMITTEE ON DEFENSE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

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COMMITTEE

Mr. Chairman, I sincerely appreciate the opportunity to once again appear and to personally thank you and the members of this Subcommittee for your concern and interest in the Full Time Support of the Army Reserve. Had it not been for your personal letter to General Ward in March of this year, it is estimated that 75% to 85% of the Military Technicians hired after December 1983 could have been denied retirement. I might add that this was no minor oversight. The AGR officers responsible for promulgating the policy and regulation concerned, knew full well what they were about and fortunately, as has happened so many times in the past, they were stopped by this Committee.

Over the years, due to the tremendous expansion of the program, AGR'S have taken control of most policy making positions concerning Full Time Staffing in the Army Reserve. They are on the staff of the Assistant Secretary of Defense for Reserve Affairs, the Deputy Secretary of the Army for Reserve Affairs and in critical policy making positions in the Office of the Chief, Army Reserve, FORSCOM and in many cases, the numbered Armies. Technicians, no matter how senior, are rarely, if ever, consulted at these levels.

Webster's Dictionary defines the SPOILS SYSTEM as "A practice of regarding public offices and their emoluments as plunder to be distributed to members of the victorious party". Every year Congressional direction continues to be deliberately subverted and violated. Every year brings a new dirty trick, a White Paper, a Center Concept Plan, or change in job descriptions and TDA'S, all with one objective; to do away with the Military Technician and replace him with AGR'S.

In 1983 five members of this Subcommittee wrote concerning the AGR program,

> "From all of those who have followed the evolution over the past decade, it is clear that the driving force is FORSCOM. Reserve Officers on tours of active duty have provided impetus for the recommended program. Such a program will provide many more positions for such personnel to compete for, thereby enhancing their chances to achieve a twenty year active duty retirement."

These same AGR staff officers who pour out excessive AGR authorization documents and provide misleading information to their active component supervisors have totally isolated the senior Military Technicians from the Army leadership, thereby effectively preventing them from being heard within the Army. To achieve their goals, these individuals have attempted to devise separate chains of command, alter Technician responsibilities, supervisory duties and command relationships. Yet these same people have totally failed in administering their own AGR program. Despite promises to Congress and the GAO to do better and correct the many deficiencies in the AGR program, things continue to go from bad to worse.

Despite the requirements of PL 93-365, which directed the Department of Defense to use the least costly form of manpower, the Army continues to undermine and replace the Military Technician with AGR'S. It is now well established that contrary to the Army's claim, the cost of these personnel far exceeds that of Military Technicians by hundreds of millions of dollars a year with costs rising into the billions. If, in fact, there is any doubt, I would suggest that someone ask an AGR Major who is filling a unit executive officer

position to convert to a battalion SSA at the GS-10 level or ask an AGR sergeant E-6 to convert to a unit AST at GS-06 or 07 level. I submit that no AGR would willingly convert and give up his pay, retirement and benefits to take any parallel Technician position. These costs will become even greater as thousands of AGR'S retire with twenty years of service and with the same benefits as regular soldiers. Yet, as indicated by the GAO, no evidence exists that these tremendous additional costs result in any improvement in either readiness or efficiency. In fact, experience has shown over the past years that the problems inherent in the AGR program have serious adverse effects on the readiness of the Army Reserve.

During the past year the Army has, in total disregard of Congressional intent, refused to authorize Technician spaces in any newly activated Troop Program Units, except schools and certain non-deploying elements; it has manipulated spaces and authorizations so as to relegate technicians primarily to Wage Grade and non-deploying positions. In this respect, I have been provided information that indicates that in some commands Military Technician reductions have been directed because the Military Technician position duplicates AGR positions on newly promulgated TDA'S. (Please see Enclosure)

In addition, the latest in slight-of-hand is the new Full Time Manning TDA'S currently being promulgated for training divisions. They show all FTM spaces as military with only a remark concerning Military Technician incumbency. In addition, if all indicated spaces were filled by AGR incumbents, it would cause serious problems in the upward mobility of Reserve

personnel since they include almost every key staff position in the headquarters and other units concerned.

As in the past, the AGR positions contained in the new and expanded Full Time Support TDA'S are not based on workload. In its Report 90-43, Opportunities to Improve Management of the Fulltime Support Program, completed in February 1990, the GAO stated:

> "The Army has attempted to establish more accurate FTS personnel requirements. However, many TOE unit positions are not based on work load or similar analyses. Reviewers of the revised FTS Staffing Guide have said that they are not able to evaluate the guide but believe that some requirements are overstated. To establish a more credible FTS manpower justification program, the Army should determine TOE unit position requirements for full-time support personnel based on work load analyses."

The above remarks concerning workload apply solely to AGR personnel, who are placed on an FTS TDA on the whim of a commander or staff officer or simply because an individual is available. All Military Technician positions, however, are required to be justified by a Schedule X (Workload Justification) prior to authorization.

The Army continues primarily to use AGR personnel to expand its FTS force. GAO Report 90-43 states:

> "The Army's practice has been to indiscriminately place AGR personnel in deployable units and Technicians in headquarters and support organizations."

I believe this practice is in compliance with a July 1985 memo from the then Secretary of the Army whom the AGR's had convinced that they were the "soldier" and that the Military Technician is the "civilian".

GAO REPORT 90-43, however, clearly indicates this is not the policy espoused by the Department of Defense.

> "According to DOD officials, the majority of FTS positions require military personnel because they are wartime-deployable positions (the positions require that the individuals go to war with the unit). Officials from the Office of the Assistant Secretary of Defense for Reserve Affairs told us that they believe that when an FTS position requires a military person, it can be filled by either an AGR soldier or a Military Technician. Even though Technicians are Federal civilian employees, they are also, in most cases, required to belong to the Reserves. As a result, military Technicians mobilize and deploy with the unit to which they belong and, as such, are considered military assets."

To further indicate DOD's designation of the MT as a military person, in an enclosure to his letter of reply to the GAO Report, the Assistant Secretary of Defense for Reserve Affairs, Mr. Stephen Duncan, indicated, "The DOD policy is to use civilians in positions not requiring military personnel, but in this context, Military Technicians are military personnel."

Military Technicians are responsible for a full spectrum of Reserve activities; including administration, logistics, training, resource management and facility management. Technicians at higher levels are responsible for assisting the Reserve commander in exercising the functions of his command, and for the day-to-day management and supervision of the full time work force, both civilian and military. They keep the commander and staff apprised of the unit's activities and provide the full-time expertise and continuity so vital to the Reserve program.

Yet despite these uniquely military requirements, AGR personnel refuse to recognize the military status of the Military Technician. If they were to do

so, they would have to give up many spaces that they would have you believe only they are qualified for. It should be noted that not only do Military Technicians have to meet military standards for job retention they must also meet military educational requirements for promotion. AGR'S would have you believe that only they are qualified to perform certain military duties, yet most Technicians have completed more advanced military education such as Command and General Staff College and the Army War College. In addition, since they are not tied to specific TDA staff positions, the Technician is able to achieve a greater military background including command assignments. Assignment of Military Technicians to a position does not make it an FTS TDA position. After completion of the MT'S assignment to a TDA or TOE position, it can once again be encumbered by a Reservist. I can confidently state that Military Technicians are better militarily qualified for any position in the Army Reserve than is an AGR whose scope is at best limited to technical and staff positions.

Even the basic rationale for utilizing AGR'S in lieu of Military Technicians seems to have been clouded by time and AGR propaganda. The GAO Report clearly indicates that the ability of the Military Technician to perform military duties was not at issue from the start. It stated:

> "The Army's original decision on which type of personnel - AGR or Military Technician - to use in the FTS program was made in the late 1970's. At that time, the House Committee on Appropriations was concerned about the readiness of the Reserve components, and as a result, it directed the Army National Guard and Army Reserve to increase FTS. The military, however, was experiencing civilian manpower reductions. The House Committee, therefore, proposed that the services test and consider the use of AGR personnel."

The Report further stated,

"DOD reported to the Congress in 1980 that an all-AGR force would not be cost-effective and that Military Technicians should be retained as part of FTS. However, it stated that increasing the number of Technicians would not be feasible unless the policy of constraining the number of Federal civilian employees was changed. DOD reported, therefore, that the necessary FTS increases could be achieved only by increasing the numbers of AGR'S or active component personnel. According to officials from the Office of the Assistant Secretary of Defense for Reserve Affairs, the consensus was that more FTS was needed, and at the time, AGR's were the available source. Therefore, the Army's manpower planning was dominated by obtaining AGR personnel, with little or no consideration of cost-effectiveness in filling FTS positions. As a result, Technician strength has grown slightly, and AGR strength has grown dramatically."

"Army officials cite several reasons for using AGR personnel rather than Military Technicians: (1) AGR'S are not unionized; (2) AGR'S have greater work-hour flexibility; (3) AGR'S offer easier and more reliable deployability; and (4) AGR'S offer improved readiness. A 1983 Congressional study showed, however, that these benefits may not always be realized. For example, the study reported that unions were not a problem. Also, little concern was expressed regarding the normal workweek of Technicians - no specific instances were cited in which Technicians' workweeks had adversely affected the units' missions. In addition, although most unit officials believed that the additional manpower gained through adding AGR'S was very beneficial in terms of its impact on readiness and unit capabilities, they felt that the same benefits could have been achieved with additional Military Technicians. Many of the same comments about AGR'S, Technicians, and union organizations were heard during a 1988 Congressional study."

Yet AGR staff officers at OCAR and FORSCOM, in direct contradiction of Congress and DOD policy, continued to "civilianize" the Military Technicians, so that Technicians will not be required to be dual status. Despite the clear evidence contained in the Secretary of the Army's memo of 8 July 1985, and the recommendations in the final report of the Military Technician Task Force in March of 1986, the Army leadership denies all knowledge of its attempts to again change its policy. Yet illegal changes in job descriptions, staffing guides, supervisory practices and policies continue.

The creation of the Status Quo Technician continues unabated. Despite the passage of laws intended to retain Technicians as viable mobilization assets, the AGR staff of the Office, Chief Army Reserve, continues to utilize its authority and regulations to remove fully qualified and capable Technicians from their military assignments. These include Technicians hired after 1983, thereby effectively preventing the attainment of Federal retirement for approximately 75 to 85 percent of the work force. Documentation concerning specific cases were provided the Committee staff at an earlier date. Once again the Committee has the gratitude of all Technicians for preventing this unfair and unwarranted action by the Army's AGR staff.

Failure to retain pre-1983 Technicians in TPU positions is another method used to create Status Quo and further the cause of the AGR. Highly qualified and capable dual status senior officers and enlisted personnel are removed from unit positions to languish unused in the IRR. The standard reply from the AGR staff at OCAR, that it would restrict upward mobility, is considered nonsense by the real Army staffs at the numbered armies and FORSCOM. (As an example, please see Enclosure). It is in fact just another means of removing MT's from units to further their ultimate and continuing plan to someday do away with all senior Technicians and assume their jobs at high military grades in the Troop Program Units of the Army Reserve.

The changes to the job descriptions, despite specific Congressional direction that they would not be changed, warrants additional comment. When reviewed in light of the continuing plans to "civilianize" the Technician work

force, the changes in the descriptions take on new meaning. As you know, the AGR program desperately needs additional senior officer and NCO positions to provide the upward mobility needed to attain twenty year careers for their personnel. If the protective language is removed and the changed job descriptions implemented, it would, in the future, permit the creation of literally hundreds of new senior AGR positions.

Another area in which failure to comply with Congressional direction has negatively impacted on readiness, is the stubborn unwillingness of the FORSCOM and OCAR AGR staffs to allow even the most senior Military Technician to rate military personnel whom they supervise on a full time basis. Throughout the Army, and for that matter, throughout the entire Federal system, performance and/or evaluation reports are required to be rendered by the supervisor most knowledgeable of the individual's day-to-day activities.

Current Army regulations (AR 623-195 AND AR 623-205) direct that the person most knowledgeable and responsible for a soldier's performance should be designated as rater. Yet AR 135-18 (The Active/Guard Reserve Program) negates this basic principle of good management by directing that AGR personnel will be rated only by the Reserve chain of command. This results in ratings being rendered by individuals who "see" the rated soldiers approximately 2 TO 4 days a month. The eight hour a day supervisor is excluded from the rating system. Previous explanations that the full time supervisor had letter input has been proven to be inaccurate since the use of letter input, under the circumstances described, does not meet the Army's regulatory definition for its use. The

letters, when submitted, are not included as enclosures to the final report and do not have to be considered by the rater. As a result, the Military Technician, despite the unique military requirements of the position, is the only Department of the Army supervisor specifically prohibited from rating subordinates he regularly supervises.

This leads to the problem of day-to-day control of AGR's and the burgeoning disciplinary problem now associated with the program.

The number of AGR's for which disciplinary action is required continues to rise and to be of concern. In recent years, the proportionately great number of disciplinary cases due to criminal acts, violation of military regulation and civil law is disturbing. Since courts martial authority is not vested to Reserve commanders during inactive duty, disciplinary action is a long, drawn out process. In many cases, due to the inordinate demands on a Reservist's time, appropriate action is never taken. AGR's can and do make use of full time lawyers not readily available to part time commanders. As an example, this leads to situations where, although drug utilization is a proven fact, seven months or more is required to remove an AGR.

We have recently been notified of impending cuts of Reserve spaces due to budget constraints. It is submitted that dollars required to maintain USAR TPU strength and structure could be attained by cutting AGR staff spaces at OCAR, FORSCOM and higher levels, or converting them to civilian incumbency without affecting readiness. There are also many position occupied by AGR's

throughout the Army that are questionable as to their relationship to the USAR and to USAR readiness. In addition, a careful review of AGR spaces in TPU's will also reveal many positions, such as full time Inspector General, that could be returned to Reserve incumbency with no effect whatsoever on readiness.

Although units will be inactivated, Reservists and Technicians reduced, there are no plans for reduction of AGR's. In fact, plans call for a possible increase in AGR's, ostensibly to provide active duty spaces for selected Army soldiers who, if removed from active duty, can still attain a 20 year retirement through the AGR program.

The only real answer is to convert all AGR's and MT's to one category of Army Reserve Support Personnel. Grades should be structured within Civil Service guidelines so as to attract the level of people we need without having to resort to active duty military personnel. The savings as opposed to use of military personnel will still be substantial and many AGR people currently on tours will gladly convert. Proper management of the program would, of course, be required. By all means it should not be managed as it is now by people dedicated to the extermination of the program.

After more than 40 years with the Reserve program, I have been subjected to almost every conceivable command and control scheme from overcontrol at State level to almost no control of a Continental Army Command. The Army Reserve has no infrastructure that parallels the current full time National Guard Command and Control structure which includes a full time State AG, and a relatively well staffed State headquarters to administer its units below NGB level.

Creation of a similar intermediate Command and Control organization for the Reserve would be, at best, cost prohibitive. Without some intermediate command, the span of control from OCAR would be too great. I cannot therefore conceive of any effective Command and Control scheme that would remove the numbered Armies from their current close association with the Troop Program Units they now command. While Forces Command has been chastised over the years for problems associated with the management of the Reserve program, I hasten to add that as early as 1983 it was recognized that it was not FORSCOM, per se, but instead Reserve officers on tours of active duty that have provided the so-called Reserve expertise upon which the FORSCOM commander based his decisions. Fortunately, I do not believe this is as true today as it was then. If command of the Reserve reverts to the Chief, Army Reserve, it will be these same AGR officers who will continue to dominate the program for their own personal interests. We will lose contact with the true military professional at DA and FORSCOM and our close association with Army headquarters; an association which I believe is vital to the proper management, utilization and training of the Army Reserve.

In closing, I would once again recommend a hearing into all aspects of Full Time Support for the Army Reserve. Testimony under oath would permit the Congress to more adequately examine the waste of funds, the abuse of authority and deception being practiced in the area of Full Time Support for the Army Reserve.

Thank you for permitting me to once again appear before this subcommittee.

WEDNESDAY, MAY 2, 1990.

FULL TIME SUPPORT PROGRAMS

WITNESS

JOHN ESPOSITO, PRESIDENT, COUNCIL 501, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

INTRODUCTION

Mr. MURTHA. The next witness is John Esposito of the American Federation of Government Employees. Mr. Esposito.

STATEMENT OF MR. ESPOSITO

Mr. ESPOSITO. We appreciate your continued support of the technician program and the opportunity to be heard once again on the subject of full time support of the Reserve components.

Today I wish to address AFGE concerns relative to the AGR program, the 8 December 1983 law, and the battleskills training program. For over ten years now, surveys conducted as well as testimonies presented have continuously stressed the facts that:

There is considerable fiscal waste and abuse within the AGR program, many of the positions authorized are not needed, many of the positions could be converted to civilian authorizations creating significant savings, and literally thousands of soldiers are assigned to commands or positions with little or no impact on unit readiness.

FULL TIME SUPPORT

Last year, your committee wrote language requesting the services provide exhibits indicating all four categories of full time support and locations of employment. The response provided confirmed our allegations that thousands of AGR positions were not being utilized for their intended purpose—to train the soldier. We are confident that the committee now armed with this factual information clearly indicating misutilization will take positive actions to negate further waste and abuse involved in the AGR program.

In testimony presented on 4 April 1990, Secretary Duncan stated "The goal of the DOD is to maintain an adequate level of full-time support commensurate with the readiness requirements and program affordability." Contrary to this statement, but included in the same testimony was a proposal to freeze AGR positions for 1991 and a decrease of civilian technician positions by 281 in the Army Reserve and 361 in the Air Guard. We are requesting in the interest of cost and efficiency that this committee decrease significantly the AGR authorizations and, rather than decrease civilian technician positions, increase authorizations in the event any increase in full-time support is deemed necessary.

CIVILIAN TECHNICIANS

Report language written last year required the Army Reserve to consider and develop policy changes which would provide more flexibility in the upward mobility of the technician. Unfortunately, once again, the Army has chosen to ignore the directives of the

committee and has taken no action since your writing to lessen the negatives impacting on civilian technicians hired after 8 December 1983.

Many civilians are being non-selected even though fully qualified. Individuals are also being non-selected because they do not possess, in their Reserve status, the particular military occupational specialty required in the reserve unit. Rather than send them to school as they do with AGR personnel who are unqualified, they simply non-select. Civilian technicians, both officer and enlisted, must decline Reserve promotions unless there is a Reserve vacancy in the unit or mobilization entity they support as a civilian. Acceptance would result in the individual being subjected to removal from his civilian position.

Unless exceptions are granted by OCAR, a civilian technician younger than 25 years of age when hired, will be denied eligibility for civil service retirement, based on current Army mandatory removal procedures, which force them out of their drilling Reserve positions prior to the years required to qualify for a retirement annuity.

In an attempt to resolve these problems, I wrote Major General Ward on two occasions. In reading his response, it appears that OCAR is faulting the law for their non-action. The Army simply continues to mismanage the technician program. They have chosen to avoid evaluation of ways to enhance career progression both civilian and militarily of technicians in favor of developing ways to make technician positions less attractive and forcing removal from an active status. We are asking that you take whatever steps are deemed necessary to correct this situation to include elimination of the 8 December 1983 law.

The elimination of the MEPS program requirements in the Guard brought about a new requirement; the mandatory attendance of civilian technicians at a training course entitled "Battleskills" in order to be considered for promotion in their drilling Guardsman status. The problem is that this same requirement does not exist for Guardsmen of the same grade who are not civilian technicians.

SUMMARY

In closing, Mr. Chairman, I will summarize our request to the committee as follows:

One, reduce the number of AGR positions authorized.

Two, encourage, fund, and support the growth of the civilian technician program.

Three, eliminate or modify the 8 December 1983 law.

Four, direct the Army to evaluate and implement ways to enhance the careers of civilian technicians.

Five, provide no funding to the Army Guard for battleskills training until such time as they stop the discriminate application of attendance requirements.

Thank you for your time and consideration. I will be happy to answer any questions that you may have.

Mr. MURTHA. Thank you very much.

Mr. McDade?

Mr. McDade. No questions.
Well done. Thank you.
[The statement of Mr. Esposito follows:]

STATEMENT

of

JOHN M. ESPOSITO

President

American Federation of Government Employees
Council 501

A National Representative of Guard and Reserve Civilian Technicians

Before the

SUBCOMMITTEE ON DEFENSE
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES

on

THE FULL-TIME SUPPORT PROGRAMS
(AGR AND CIVILIAN TECHNICIAN PROGRAMS)
IN THE
ARMY RESERVE AND NATIONAL GUARD COMPONENTS

2 MAY 1990

BEST AVAILABLE COPY

Mister chairman, distinguished members of the committee; I wish to begin by thanking the committee for their continuing support of the technician program and for the opportunity to be heard once again on the subject of full time support of the reserve components.

Today I wish to address AFGE concerns relative to the AGR Program the 8 December 1983 Law, and the Battleskills Training Program.

AGR PROGRAM

For over ten years now, surveys conducted by your Survey and Investigative Staff (S&I), as well as testimonies presented by concerned individuals such as me have continuously stressed the facts that:

a. There is considerable fiscal waste and abuse within the AGR program.

b. Many of the positions authorized are not needed.

c. Many of the positions could be converted to civilian authorizations creating significant savings.

d. Literally thousands of soldiers are assigned to commands or positions with little or no impact on unit readiness or the ability of the individual soldier to be properly trained to go to war in time of conflict.

Last year, your committee in House Report 101-206 which accompanied HR 3072, wrote language requesting the uniformed services provide exhibits indicating all four categories of full

time support (active guard/reserve, civilian technicians, active military, departmental civilians) broken out by individuals and locations of employment. The response provided your committee by the services confirmed our allegations that thousands of AGR positions were not being utilized for their intended purpose - to train the soldier. Copies of the 1990 exhibits and the proposed 1991 exhibits for the Army Reserve and National Guard are attached.

The most recently completed GAO report (8 Feb 90; entitled Opportunities to Improve Management of the Full Time Support Program) continues to bear out many of the above stated facts.

With the significant cutbacks soon to be required of the Active Forces due to Gramm-Rudman, these AGR positions could be abolished upon the completion of the incumbents current tour and converted to positions required by the Active Components and utilized anywhere the Army determines a need without unduly increasing costs. This would result in a significant lessening of the negative impact soon to become a reality in the Active Force. Additionally, at this time, many of the other wasteful AGR positions currently in existence could either be eliminated or converted to civilian positions with the accompanying cost savings.

We are confident that the committee now armed with this factual information clearly indicating misutilization, will take positive actions to negate further waste and abuse involved in the AGR

program.

In testimony presented before this committee on 4 April 1990, Assistant Secretary of Defense for Reserve Affairs Stephen M. Duncan stated "THE GOAL OF THE DEPARTMENT OF DEFENSE (DOD) IS TO MAINTAIN AN ADEQUATE LEVEL OF FULL TIME SUPPORT COMMENSURATE WITH THE READINESS REQUIREMENTS AND PROGRAM AFFORDABILITY." Contrary to this statement, but included in the same testimony was a proposal to freeze, in the Army Reserve, AGR positions for 1991 and a decrease of civilian technician positions by two hundred eighty one (281), and in the Air Guard a decrease in civilian technician positions by three hundred sixty one (361). We are requesting that in the interest of cost and efficiency, this committee decrease significantly the AGR authorizations (at the completion of the incumbents current tour) and rather than decrease civilian technician positions as proposed, increase authorizations in the event that any increase in full time support is deemed necessary by the Department of the Army.

8 DECEMBER 1993 LAW

We wish to thank the committee for the report language written last year which required the Army Reserve to consider and develop policy changes which would provide more flexibility in the upward mobility of the technician. Unfortunately, once again, the Army has chosen to ignore the directives of the committee and has taken no action since your writing to lessen the negatives impacting on

civilian technicians hired after 8 Dec 83. Our most critical concerns are:

a. Upon initial hiring process for civilian technician positions, many civilians are being non-selected even though fully qualified (some of who are veterans) due to the fact that no current military vacancy exists to accommodate them in their military status. Rather than place them overstrength until a vacancy occurs they simply are not hired.

b. Individuals seeking employment as a civilian technician or promotion are also being non-selected because they do not possess in their reserve status the particular military occupational specialty (MOS) required in the reserve unit. Rather than send them to school to be retrained as they do with AGR personnel who are unqualified, they simply non-select.

c. Civilian technicians hired after 8 December 1983, officers in their reserve status who receive a mandatory promotion as an officer must decline this promotion unless the commander of the unit provides one of the authorized reserve slots to the technician. Acceptance of the promotion would force the civilian technician to be reassigned to another reserve unit and would result in the individual being subjected to removal from his civilian position as a result of not meeting the requirements of the 8 Dec 83 law, that being, he/she must be a member of the troop program unit he/she is employed to support. Officers can only turn down this mandatory promotion once, therefore any subsequent denial

would also lead to their removal from their civilian technician position.

d. Under the current procedures, unless exceptions are granted by OCAR, a civilian technician younger than twenty-five years of age when hired, will be denied eligibility for civil service retirement. This is based on current Army mandatory removal procedures for both officer and enlisted personnel, which will force them out of their drilling reserve positions prior to the years required to qualify for a retirement annuity.

e. Some male-only units have hard to fill dual status positions where qualified female candidates, who are members of the selected reserve are available, but denied the opportunity to apply. this is not only discriminatory, but directly contradicts the practice of hiring the best qualified applicant.

f. Some small troop program units may not have the correct rank structure to accommodate candidates seeking employment as technicians. To exclude these candidates because the authorized rank is unavailable precludes filling vacancies with qualified applicants.

In an attempt to resolve these problems, as chairman of the council representing civilian technicians for AFGE, I wrote Major General Ward, Chief of Army Reserves (OCAR) on two occasions. Copies of both letters as well as his response are attached. In reading his response, it appears that OCAR is faulting the law for

their non-action in attempting to resolve any of the issues addressed. The Army continues to mismanage the technician program. They have chosen to avoid evaluation of ways to enhance career progression both civilian and militarily of technicians in favor of developing ways to make technician positions less attractive and forcing removal from an active status. We are asking that you take whatever steps deemed necessary to correct this situation to include elimination of the 8 December 1983 law. Elimination of this law would result in altering the system back to the way it functioned from September 1970 to 7 December 1983; that is military membership in the selected reserves as a condition of employment.

In the event that there is a valid concern relative to mobilization, your committee could write language that requires civilian technicians who are dual status to, in the event of mobilization, accompany the employing unit to the mobilization site.

If you choose not to eliminate the law, we ask that you write specific language allowing civilian technicians to be carried in an overstrength status in the instances where no current vacancy exists and that they be given priority placement consideration for the first available reserve vacancy.

BATTLESKILLS PROGRAM IN THE ARMY GUARD

The elimination of the MEPS program requirements which

negatively affected civilian technicians in the Guard brought about a new requirement, that being the mandatory attendance of civilian technicians at a training course entitled "Battleskills" in order to be considered for promotion in their drilling guardsman status. The problem is that this same requirement does not exist for guardsmen of the same grade who are not civilian technicians.

The Army Guard is the only component implementing this policy. All other components require both guardsmen/reservists and civilian technicians to attend identical schooling in order to meet promotion consideration requirements.

In closing I will summarize our request to the committee as follows:

1: Reduce the number of ABR positions authorized.

2: Encourage, fund, and support the growth of the civilian technician program.

3. Eliminate or modify the 8 December 1983 law.

4. Direct the Army to evaluate and implement ways to enhance the careers of civilian technicians.

5. Provide no funding to the Army Guard for Battleskills Training until such time as they stop the discriminate application of attendance requirements.

Thank you for your time and consideration. I will be happy to answer any questions that you may have.

'FULL TIME SUPPORT PERSONNEL
NATIONAL GUARD PERSONNEL, ARMY(NGPA)

FY 1991 ESTIMATE

ASSIGNMENT	AGR OFFICERS	AGR ENLISTED	AGR TOTAL	MILITARY TECHS	ACTIVE MILITARY	CIVILIAN*	TOTAL
INDIVIDUALS	0	0	0	0	0	0	0
PAY/PERSONNEL CENTERS	66	200	266	0	0	0	266
RECRUITING/RETENTION	178	3632	3810	70	0	0	3880
UNITS							
UNITS	2380	17252	19621	5313	409	0	25343
RC UNIQUE MGMT HQS	867	334	831	7800	47	0	8778
UNIT SPT-NAVY RC	0	0	0	0	0	0	0
MAINT ACT(NON-UNIT)	7	3	10	15235	0	0	15245
SUBTOTAL	3247	21421	24668	28427	456	0	53551
TRAINING							
RC NON-UNIT INSTITUTIONS	68	253	321	30	0	0	351
RC SCHOOLS	0	0	0	0	0	0	0
ROTC	293	0	293	0	0	0	293
SUBTOTAL	361	253	614	30	0	0	644
HEADQUARTERS							
SERVICE HQS	51	0	51	0	0	0	51
AC HQS	414	23	437	0	0	0	437
AC INSTAL/ACTIVITIES	0	0	0	0	0	0	0
RC CHIEFS STAFF	298	107	405	0	61	406	872
OTHERS							
OSD/JCS	16	0	16	0	0	0	16
SUBTOTAL	779	130	909	0	61	406	1376
OTHER							
RCAS	8	0	8	0	0	0	8
TOTAL	4305	21804	26109	28457	517	406	55570

* EXCLUDING MILITARY TECHNICIANS

'FULL TIME SUPPORT PERSONNEL
NATIONAL GUARD PERSONNEL, ARMY(NGPA)

FY 1990 ESTIMATE

ASSIGNMENT	AGR OFFICERS	AGR ENLISTED	AGR TOTAL	MILITARY TECHNICIANS	ACTIVE MILITARY	CIVILIAN*	TOTAL
INDIVIDUALS	0	0	0	0	0	0	0
PAY/PERSONNEL CENTERS	96	200	296	0	0	0	296
RECRUITING/RETENTION	178	3632	3810	79	0	0	3889
UNITS							
UNITS	2433	17188	19621	5313	439	0	25373
RC UNIQUE MENT HQS	597	334	931	7800	47	0	8778
UNIT SPT-NAVY RC	0	0	0	0	0	0	0
MAINT ACT(NON-UNIT)	7	3	10	15235	0	0	15245
SUBTOTAL	3311	21357	24668	28427	486	0	53581
TRAINING							
RC NON-UNIT INSTITUTIONS	68	253	321	30	0	0	351
RC SCHOOLS	0	0	0	0	0	0	0
ROTC	293	0	293	0	0	0	293
SUBTOTAL	361	253	614	30	0	0	644
HEADQUARTERS							
SERVICE HQS	51	0	51	0	0	0	51
AC HQS	414	23	437	0	0	0	437
A INSTAL/ACTIVITIES	0	0	0	0	0	0	0
R. CHIEFS STAFF	298	107	405	0	61	406	872
OTHERS							
OSD/JCS	16	0	16	0	0	0	16
SUBTOTAL	779	130	909	0	61	406	1376
OTHER							
RCAS	8	0	8	0	0	0	8
TOTAL	4459	21740	26199	28457	547	406	55609

* EXCLUDING MILITARY TECHNICIANS

32-241 O—89——19

FULL TIME SUPPORT PERSONNEL
RESERVE PERSONNEL, ARMY
OPERATION AND MAINTENANCE, ARMY RESERVE
MILITARY CONSTRUCTION, ARMY RESERVE

FY 1991

	AGR OFFICERS	AGR ENLISTED	AGR TOTAL	MILITARY TECHNICIANS	ACTIVE MILITARY	CIVILIAN	TOTAL
INDIVIDUALS	0	0	0	0	0	0	0
PAY/PERSONNEL CENTERS	270	334	604	0	99	1192	1895
RECRUITING/RETENTION	301	2413	2714	0	4	182	2900
UNITS:							
UNITS	1828	6122	7950	3661	958	0	12569
NON DEPLOY RC HQ	284	422	706	534	103	243	1586
MAINT ACTV (NON UNIT)	0	0	0	4053	0	0	4053
SUBTOTAL	2112	6544	8656	8248	1061	243	18208
TRAINING:							
RC TRAINING FACILITIES	35	73	108	4	0	89	201
RC SCHOOLS	1	0	1	0	0	0	1
ROTC	314	0	314	0	0	0	314
SUBTOTAL	350	73	423	4	0	89	516
HEADQUARTERS:							
SERVICE HQ	56	2	58	0	0	0	58
AC MA/INSTALLATIONS(SEE NOTE)	525	207	732	0	3276	2710	6718
RC CHIEFS	25	8	33	0	39	57	129
OSD/JCS SEAT OF GOVT	66	12	78	0	0	0	78
SUBTOTAL	672	229	901	0	3315	2767	6983
OTHERS							
RCAS	29	17	46	0	0	0	46
MILCON, ARMY RESERVE	0	0	0	0	0	121	121
TOTAL	3734	9610	13344	8252	4439	4594	30629

NOTE: THE MILITARY AND CIVILIAN STRENGTH SHOWN PROVIDES SUPPORT TO BOTH THE USAR AND THE ARMY NATIONAL GUARD. THESE PERSONNEL ARE ASSIGNED AT ARMY MAJOR ARMY COMMAND HEADQUARTERS AND THEIR SUBORDINATE COMMANDS AND INSTALLATIONS.

ERRATA SHEET: REPLACES FOLLOWING PAGE 348

FULL TIME SUPPORT PERSONNEL
RESERVE PERSONNEL, ARMY
OPERATION AND MAINTENANCE, ARMY RESERVE
MILITARY CONSTRUCTION, ARMY RESERVE

FY 1991

	AGR OFFICERS	AGR ENLISTED	AGR TOTAL	MILITARY TECHNICIANS	ACTIVE MILITARY	CIVILIAN	TOTAL
INDIVIDUALS	0	0	0	0	0	0	0
PAY/PERSONNEL CENTERS	270	334	604	0	59	1192	1855
RECRUITING/RETENTION	301	2413	2714	0	4	182	2900
UNITS:							
UNITS	1828	6122	7950	3661	958	0	12569
NON DEPLOY RC HQ	284	422	706	534	103	243	1586
MAINT ACTV (NON UNIT)	0	0	0	4053	0	0	4053
SUBTOTAL	2112	6544	8656	8248	1061	243	18208
TRAINING:							
RC TRAINING FACILITIES	35	73	108	4	0	89	201
RC SCHOOLS	1	0	1	0	0	0	1
ROTC	314	0	314	0	0	0	314
SUBTOTAL	350	73	423	4	0	89	516
HEADQUARTERS:							
SERVICE HQ	56	2	58	0	0	0	58
AC HQ/INSTALLATIONS(SEE NOTE)	525	207	732	0	3276	2710	6718
RC CHIEFS	25	8	33	0	39	57	129
OSD/JCS SEAT OF GOVT	66	12	78	0	0	0	78
SUBTOTAL	672	229	901	0	3315	2767	6983
OTHERS							
RCAS	29	17	46	0	0	0	46
MILCON, ARMY RESERVE	0	0	0	0	0	121	121
TOTAL	3734	9610	13344	8252	4439	4594	30629

NOTE: THE MILITARY AND CIVILIAN STRENGTH SHOWN PROVIDES SUPPORT TO BOTH THE USAR AND THE ARMY NATIONAL GUARD. THESE PERSONNEL ARE ASSIGNED AT ARMY MAJOR ARMY COMMAND HEADQUARTERS AND THEIR SUBORDINATE COMMANDS AND INSTALLATIONS.

ERRATA SHEET: REPLACES FORMER PAGE 148

FULL TIME SUPPORT PERSONNEL
RESERVE PERSONNEL, ARMY
OPERATION AND MAINTENANCE, ARMY RESERVE
MILITARY CONSTRUCTION, ARMY RESERVE

FY 1990

	AGR OFFICERS	AGR ENLISTED	AGR TOTAL	MILITARY TECHNICIANS	ACTIVE MILITARY	CIVILIAN	TOTAL
INDIVIDUALS	0	0	0	0	0	0	0
PAY/PERSONNEL CENTERS	270	334	604	0	59	1188	1851
RECRUITING/RETENTION	301	2413	2714	0	4	169	2887
UNITS:							
UNITS	1828	6122	7950	3879	958	0	12787
NON DEPLOY RC HQ	284	422	706	534	103	243	1586
MAINT ACTV (NON UNIT)	0	0	0	4116	0	0	4116
SUBTOTAL	2112	6544	8656	8529	1061	243	18489
TRAINING:							
RC TRAINING FACILITIES	35	73	108	0	0	89	197
RC SCHOOLS	1	0	1	0	0	0	1
ROTC	314	0	314	0	0	0	314
SUBTOTAL	350	73	423	0	0	89	512
HEADQUARTERS:							
SERVICE HQ	56	2	58	0	0	0	58
AC HQ/INSTALLATIONS(SEE NOTE)	525	207	732	0	3382	2706	6820
RC CHIEFS	25	8	33	0	39	57	129
OSD/JCS SEAT OF GOVT	66	12	78	0	0	0	78
SUBTOTAL	672	229	901	0	3421	2763	7085
OTHERS							
RCAS	29	17	46	0	0	0	46
MILCON, ARMY RESERVE	0	0	0	0	0	121	121
TOTAL	3734	9610	13344	8529	4545	4573	30991

NOTE: THE MILITARY AND CIVILIAN STRENGTH SHOWN PROVIDES SUPPORT TO BOTH THE USAR AND THE ARMY NATIONAL GUARD. THESE PERSONNEL ARE ASSIGNED AT ARMY MAJOR ARMY COMMAND HEADQUARTERS AND THEIR SUBORDINATE COMMANDS AND INSTALLATIONS.

ERRATA SHEET: REPLACES FOWER PAGE 147

LOCAL 1906
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JOHN ESPOSITO
PRESIDENT

ROBERT M. PACHECO
EXECUTIVE VICE PRESIDENT

BARNES BUILDING -- ROOM 215
495 SUMMER STREET, BOSTON, MA 02210
Telephone (617) 451-4872

JOHN M. ESPOSITO
National Chairman,
Coalition of National
Guard and Reserve
Civilian Technicians

8 March 1990

DEPARTMENT OF THE ARMY
OFFICE OF THE CHIEF, ARMY RESERVE
ATTN: MRS. BARBARA MAYER
WASHINGTON, D.C. 20310-2400

Dear Barbara,

I am in receipt of the written response by General Ward relative to my letter dated 20 December 1989 with regard to the negatives affecting civilian technicians in the Army Reserves.

I am somewhat disappointed that the response falls extremely short of addressing the specific concerns I thought I expressed in my letter. Apparently I failed to clearly explain the problems so I will attempt in this writing to be more specific using my previous letter and the General's response as references.

I am well aware of the requirements based on the 8 December 83 law that all civilian technicians hired after that date must be dual status in the unit they service. The concern is that when individuals seek employment as technicians many are being non-selected due to the fact that no current military vacancy exists to accomadate them in their military assignment. In most instances there are authorized drilling positions but they are occupied at the time and rather than move a drilling reservist to another position, civilian applicants are simply being denied employment. In other words, even though they might be the best qualified applicant to perform the civilian job and are dual status, as well as in some cases a veteran, they are not selected, not based on merit principles, but as a result of Commands not providing or desiring to create a vacancy. This practice has been in existance since receipt of the Forscom letter Subject: Revised Conditions of Employment for USAR Technicians dated 2 April 84. I have included a copy this time.

In addition to the above, there are also civilian's who apply for employment as technicians and are being denied employment simply because they do not possess the Military Occupational Speciality (MOS) required in the Reserve Unit. Civilian technicians, are in other words, having to compete twice for a civil service position, first as a civilian, then as a drilling reservist. This practice is unfair and we seek your support in bringing about a change. As I am sure you are aware, regardless what a civilian technicians drilling reserve duty position may be, civilian technicians in almost every instance are performing the duties of their civilian position both during the work week as well as on weekends during drills. They are not performing the duties of their drilling reserve postion.

TO DO FOR ALL THAT WHICH NONE CAN DO FOR ONESELF

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Under the AGR Program, permanent slots have been pre-determined and are set aside for fill for the AGR soldier. In many instances, soldiers fail to possess the MOS required for a AGR position. They are simply sent to school or awarded the MOS based on civilian acquired skills. The most recent example of this practice is the assignment of a 63B20, Senior Wheel Vehicle Mechanic who was, prior to assignment, a former recruiter relieved from recruiting duties. This individual was awarded a 63B20 MOS based on the fact that he had, although not militarily, in the past performed duties as a mechanic and simply assigned to the AGR position. He obviously will require extensive training in as much as he never received any prior in the Army Maintenance Area.

All civilian technicians are asking for is that the system relative to hiring be made fair, and that if they are the best qualified applicant and are dual status, that they are selected for the civilian postion based on their civilian qualifications. General Ward's response points out the general rules but falls short of addressing the real problems and any actions which may be taken by OCAR to remedy them. Why can we not carry these civilian technicians as overstrength against the total shortfall of the Army? They would then if unable to be sloted as a reservist in the unit, service a particular unit as a civilian daily and through the mobilization phase and then deploy to serve their country as a drilling reservist based on the needs of the Army in their currently held MOS.

Another major problem, which is greatly increasing, is when post 83 civilian technicians, who are officers in their reserve status, receive mandatory promotions as an officer, they must decline this promotion unless the Commander of the Unit provides one of the authorized reserve slots to this civilian technician. Due to the fact that officers are only allowed to decline reserve promotions once, any additional denial will lead to their removal as a civilian technician. Should they not be given a priority for the reserve position or an exception to policy? Why can't these civilian technicians be carried as overstrength with a priority for the first comparable reserve vacancy?

Addressing the modification of mobilization entity, I wish to point out that I did not indicate that this expansion has not helped technicians. I stated and I will again that it has done little to resolve the major problems facing Post 83 civilian technicians. Technicians, as I do, appreciate the fact that the definition of "troop program unit" has been broadened since around the end of 1988, however as you are aware we have a significant amount of units that this expansion does not affect. I am referring to the many seperate type companies/commands who although during peace time may be a part of a peace time chain of command, however upon mobilization they all mobilize as a seperate entity. Can the definition not be broadened to expand to membership in the ARCOM? Such a change would keep the dual status requirement, without the restriction on a particular military authorization in a unit and should address and resolve the problems I have addressed. If this is not feasible can you not allow the ARCOM's to make exceptions when necessary? If the provisions of the law are preventing you from eliminating the serious negatives currently affecting civilian technicians and which will more so in the future, can you not ask the Congress to eliminate the law and revert back to the

provisions prior to it's enactment?

The General in his response to concerns raised in my letter relating to the issue of female applicants being declined the opportunity to apply for certain positions stated the facts that we are already aware of. We are seeking ways to correct these problems and eliminate the negatives affecting women either in their initial employment or throughout their career. Why can not exceptions be made in these unique situations and establish policies that will accomodate these situations as they occur? Could you not establish a policy that would allow women to be assigned to combat units as civilian technicians and upon deployment transfer them as reservists to a non-combat position?

I would like to readdress the concerns raised in my previous letter relating to the issue of allowing civilian technicians to transfer to the Retired Reserves upon completion of twenty years of reserve service without being subjected to removal from their civilian employment. First of all, my previous letter had no intention of demeaning the significant contributions made by civilian technicians. It was merely addressing facts as we all know them:

a. Upon deployment many of the administrative duties previously performed by most civilian technicians would be performed by PAC or Finance Centers.

b. Upon deployment the most significant duty of most civilian technicians, that being either performing the duties as the Principal Administrative Assistant to Commanders or managing a specific aspect of the operation on a day to day basis, would be performed by the Commanders Drilling Reservist Staff/Senior NCO's.

c. The civilian technician would upon deployment depending on his MOS perform his wartime mission like any other soldier in the reserves, not the civilian functions previously performed while a civilian technician.

Allowing these individuals to transfer to the Retired Reserves without being subjected to removal from their civilian job, as is the policy for active components and AGR'S, would allow upward mobility for drilling reservists by freeing up a unit authorization especially during these critical times when cutbacks are imminent and promotional opportunities are becoming a problem.

In reading the response by the General with regard to the issue of allowing civilian technicians to transfer to the Retired Reserves after completing 20 years of service, I am not sure what we suggested was made clear. We are requesting a change that will allow civilian technicians to transfer military after completion of 20 years to the Retired Reserves, continue to remain aboard as a civilian and sign a Memorandum of Understanding (MOU) that will mandate as a condition of employment that they in their civilian capacity accompany the unit up to the deployment phase of mobilization.

It also appears that the General's response indicates that the intent of Congressional language is restricting the General for allowing this to be possible. If the Congress wrote language that did not prohibit this practice from occuring would OCAR support and implement it?

The final issue I wish to readdress is the weight policy. I totally understand that the establishment of mandatory weight standards has been uniformly applied throughout the Active and Reserve Forces, fully aware that it is a military requirement, and also fully understand the need to ensure soldiers are fit for combat. What is being questioned is nothing to do with the aforemantioned. What is in question is the sudden change to AR 140-315 which governs Employment and Utilization of U.S. Army Reserve Civilian Technicians. Par 8 (1) (F) of this regulation now subjects civilian technicians to removal from their civilian job based on a new requirement (meeting weight standards of AR 600-9) that did not exist when most civilian technicians started their employment. Why have these civilian technicians not been grandfathered? Additionally why must civilians be removed at all? Why can't the provision of signing a MOU apply in these cases as well?

In the General's final remarks he indicated he would like to simplify the complex nature of the dual status technician. We would be interested in hearing from you with regard to his thoughts in this area.

I anxiously await your response to the questions raised so I may immediately share them with the civilian technicians represented by AFGE and Congressional Representatives. As always representatives from AFGE and myself are willing to meet with you in an effort to resolve the negatives currently affecting civilian technicians.

Sincerely,

John M. Esposito
AFGE National Chairman
Coalition of USAR and NG
Civilian Technicians

cf: House and Senate Appropriation
Committee Members

DEPARTMENT OF THE ARMY
HEADQUARTERS, UNITED STATES ARMY FORCES COMMAND
FORT McPHERSON, GEORGIA 30330

REPLY TO ATTENTION OF

AFPR-CPS

02 APR 1984

SUBJECT: Revised Conditions of Employment for USAR Military Technicians (MT)

SEE DISTRIBUTION

1. Reference our message, AFPR-CPS, 241600Z Feb 84, SAB.

2. The following questions have been brought to our attention since referenced message was received. We are providing the answers for the benefit of all CPOs servicing ART positions. The answers govern employment of persons on or after 8 Dec 83 and do not affect the conditions of employment for Military Technicians (MT) prior to that date. CPO, Presidio of San Francisco, should consider this as our response to their message, AFZH-CPE, 0820332 Mar 84.

a. Question--What is a Troop Program Unit (TPU)? Answer--A TPU is a specific MTOE or TDA unit of the Selected Reserve. The Individual Ready Reserve (USAR Control Groups) are not TPUs; neither are Area Maintenance Support Activities (AMSA) or Equipment Concentration Sites (ECS). (See question d.)

b. Question--Can a MT working in a MUSARC HQ be assigned to any unit in the MUSARC, or just in the HQ. Answer--Just in the HQ since the MUSARC HQ is a TPU.

c. Question--If a MT is employed at company level, must he/she be assigned to that company? Answer--Yes, he/she must be assigned to that company.

d. Question--What is an AMSA or ECS? Answer--They are TDA organizations without mobilization missions that repair and store equipment, they are not TPUs. MT assigned to AMSA/ECS need only be members of the Selected Reserves. In short, a member of any TPU.

e. Question--How does the servicing CPO determine whether membership in a specific TPU is required versus membership in any TPU? Answer--It is the responsibility of the USAR organization to identify on the Request for Personnel Action (SF-52) if specific TPU or only Selected Reserve membership is required. CPOs will fill the positions accordingly.

f. Question--Are employees who were in the MT Program prior to 8 Dec 83 and who are promoted or reassigned from one MT position to another MT position after 8 Dec 83, required to join the unit they support as a civilian?

02 APR 1984

AFPR-CPS
SUBJECT: Revised Conditions of Employment for USAR Military Technicians

Answer—No. Only those employees initially employed in an MT position on or after 8 Dec 83 are required to join the unit they support as a civilian. Any MT employed prior to 8 Dec 83 is "grandfathered" and is not subject to PL 98-212; however, every effort should be made to encourage these technicians to be in the same unit in both a civilian and military capacity. Temporary employees charged against MT spaces are not considered as being in the MT Program. (See question/answer g below.)

g. Question—Can a person who was on a temporary appointment against an MT space prior to 8 Dec 83 be converted to a permanent appointment without being required to join the unit they support as a civilian? Answer—No. TPU membership is required for permanent appointment in the TPU in which the person is employed to support.

h. Question—What does "initially employed" mean? Answer—Moving/placing an employee from a non-MT position into an MT position is initial employment in the ART program after 8 Dec 83. Movement can be by appointment, reinstatement, transfer, reassignment, change-to-lower grade, promotion, conversion from temporary appointment, or other personnel action. The fact that the individual may have been a former USAR technician and is seeking reinstatement does not change the fact that he/she is being initially employed after 8 Dec 83.

i. Question—What about former MT exercising statutory restoration (re-employment) rights after 8 Dec 83 from active military service? Do they have to be members of the unit in which restored? Answer—No. These employees are also "grandfathered" from the new law since they must be restored with the same status they would have enjoyed had they not left for military duty.

j. Question—What terminates the "grandfather" protection for MT? Answer—Moving from an MT position to a non-MT position terminates protection. When or if reemployed in the MT program after 8 Dec 83, the new conditions of employment will apply.

k. Question—What happens when CPO sends a referral list to a USAR organization and none of the candidates can join the unit because there is no military space available for the reservist to become a member of the unit? Answer— If a candidate does not have or cannot acquire such membership prior to appointment, the candidate cannot be selected. The USAR organization is responsible for certifying that the selected candidate has appropriate reserve membership prior to appointment. (Also see question/answer l below.)

l. Question—Can the fact that there is no military space available for unit membership be justification for non-selection of the top three candidates on an Office of Personnel Management (OPM) register? Answer—Yes, since the candidate does not meet the condition of employment. If an applicant cannot be a member of the unit he/she supports as a civilian, irrespective of the reason, then he/she does not meet the condition of employment and cannot be appointed. This would meet the criteria for requesting permission to pass over a veteran on an OPM certificate.

m. Question—Which employees are subject to the provisions of PL 98-212? Answer—Any person entering the USAR Military Technician Program on or after 8 Dec 83 is subject to the provisions. A person can enter (be initially

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AFPR-CPS 02 APR 1984
SUBJECT: Revised Conditions of Employment for USAR Military Technicians

employed) in the MT program by appointment, reinstatement, transfer, promotion, conversion from temporary appointment or any other type of personnel action.

3. CONUSAs should share this information with subordinate USAR organizations. POC is Donna Blaisdell, AUTOVON 588-3430/3090.

FOR THE COMMANDER:

CHARTLEY MANCHASTER
CPT ASC
ASSISTANT ADJUTANT GENERAL

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DEPARTMENT OF THE ARMY
OFFICE OF THE CHIEF, ARMY RESERVE
WASHINGTON, D.C. 20310-2400

1 March 1990

REPLY TO
ATTENTION OF

Personnel Division

Mr. John M. Esposito, National Chairman
American Federation of Government Employees
Coalition of USAR and NG Civilian Technicians
Barnes Building-Room 215
495 Summer Street
Boston, MA 02210

Dear Mr. Esposito:

Thank you for taking the time to share with me your concerns about the Technician Program. As you are aware, I am also concerned about our military technicians and visibility of a program that has served the Army Reserve so well for the past 40 years.

Permit me to respond to the issues you raised in the order in which you addressed them:

a. Assignment of technicians: All applicants for a technician position, without exception, must meet dual status conditions of employment. Absence of a military position to accompany a civilian position in a unit bars "technician employment." A singular civilian position that is not dual status is a Department of the Army Civilian (DAC) slot. For civilian employment to be designated "technician employment," dual status must be provided. The Office of Personnel Management (OPM) Memorandum of Understanding (MOU) with the Army Reserve grants the right to designate civilian positions as "technician positions" under the dual status condition of employment. Under the MOU, both civilian and military capabilities meet readiness objectives. I can not comment further concerning the FORSCOM letter to which you refer as it was not enclosed with your letter to me.

b. Post-1983 technician civilian promotion: For a post-1983 technician to accept a higher grade civilian position outside the current unit of employment, both civilian and military positions must be available in the new unit where the higher civilian position is located. The expanded definition of a unit to mean "mobilization entity" provides greater opportunity for higher grade job acceptance.

c. Post-1983 technician military promotion: As with a civilian promotion, the opportunity for both military and civilian employment in the same unit must exist for acceptance of a military promotion.

d. Women barred from technician positions: Because the potential technician must also be a military member, rules of military eligibility must be applied. This includes Army regulations controlling the nonplacement of females in combat activities. As a result, female technician applicants are considered for only non-combat positions.

e. Troop program unit rank structure: Rank structure in troop program units is determined by mission requirements. Obviously, some units will have a more restricted structure with fewer soldiers than other units, and cannot accommodate applicants seeking a position of a particular military rank. The rank structure imposes a restriction on technician applicants; however, the technician is a military resource under military authority. To structure the unit in any other way would inappropriately civilianize the unit for the defense objective of mobilization.

f. Appropriations committee language: I am well aware of the committee's concern regarding military technicians and support changes for the enhancement of the force consistent with the limitations imposed by Congressional intent and existing statue.

g. Modification to mobilization entity definition: I do not agree that the recent change to the definition of a mobilization entity doe not help technicians. In fact; your comments are the first that I have received which indicate this change is not helpful. Modification of the definition significantly increased the potential number of positions available to technicians.

h. Voluntary transfer to the retired reserve: Loss of military eligibility, as a result of voluntary retirement, failure to meet physical standards, or other actions within the technician's control disqualifies a technician for employment based on military, not civilian restrictions. As you are aware, military requirements are non-negotiable. The potential technician agrees to military requirements when he or she accepts a technician position.

i. Utilization of technicians upon mobilization: I disagree that technicians' experience and expertise is only required for a limited time upon mobilization. To indicate otherwise demeans the significant contributions made by these valuable members of the Army Reserve team. Since the intent of Congress is clear in maintaining a dual status technician force, I can not authorize technicians to transfer to the retired reserve with a memorandum of understanding to return on mobilization.

j. Height/weight standards as they apply to the technician: The Army has seen fit to establish mandatory weight standards for its active and reserve forces. The weight restriction is not unique to technicians nor does it change the conditions of employment as civilian employment continues to be contingent upon meeting military requirements.

Finally, mobilization readiness is the key program requirement in the overall employment status of the technician. Military expertise has equal consideration with civilian capability. The technician program does not exist for the sole purpose of providing civil service employment, rather it is another opportunity for civilian employment that can not be permitted to override vested military interests. Without military initiatives, the technician program would cease to exist.

I appreciate your concerns on behalf of the technician workforce. Be assured that in OCAR we have looked long and hard at the issues you have raised during the past years since enactment of Public Law 98-212 of 1983 and subsequent legislation. We would like to simplify the complex nature of the dual status technician. However, we must take precautions to stay within the intent and purpose of the law when we interpret requirements directly or indirectly affecting mobilization.

You may contact Mrs. Barbara Mayer of my staff at, (202) 695-0879, on technician matters if you have further concerns.

Sincerely,

William F. Ward
Major General, USA
Chief, Army Reserve

LOCAL 1690
Serving Civilian Technicians
And Recruiting Commands
in
MAINE
MASSACHUSETTS
NEW HAMPSHIRE
RHODE ISLAND
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Telephone (617) 451-4872

JOHN M. ESPOSITO
National Chairman,
Coalition of National
Guard and Reserve
Civilian Technicians

20 DECEMBER 1989

MAJOR GENERAL WILLIAM F. WARD
Chief, United States Army Reserve
Pentagon Building
Pentagon Room 3E - 383
Washington, DC 20310-2415

DEAR GENERAL WARD:

I AM WRITING TO YOU WITH THE HOPE THAT YOU MIGHT BE ABLE TO RECTIFY A SITUATION WHICH CONTINUALLY WORSENS. I AM REFERRING TO THE NEGATIVE EFFECTS TO THE CIVILIAN TECHNICIAN PROGRAM CAUSED BY THE IMPLEMENTATION OF THE 8 DECEMBER 1983 LAW MANDATING THAT ALL CIVILIAN TECHNICIANS HIRED AFTER THAT DATE MUST BE DRILLING MEMBERS OF THE UNIT THAT THEY SERVICE.

AS HIGHLIGHTED IN MY TESTIMONY BEFORE THE HOUSE APPROPRIATIONS SUB-COMMITTEE ON DEFENSE ON 25 APRIL 1989, WE (AFGE) ARE CONCERNED THAT THE MANNER IN WHICH THE ARMY HAS CHOSEN TO IMPLEMENT THIS LAW IS DESTROYING THE TECHNICIAN PROGRAM BY MAKING JOBS UNATTRACTIVE. SOME OF OUR MAJOR CONCERNS ARE:

A. WHEN AGR PERSONNEL ARE ASSIGNED, THERE IS A DRILLING RESERVE POSITION SET ASIDE FOR THEM TO FILL. THIS PRACTICE IS NOT FOLLOWED FOR CIVILIAN TECHNICIANS. THIS HAS LED TO HIRING BASED NOT ON MERIT PRINCIPLES, BUT RATHER ON WHICH RESERVIST THE COMMANDER FEELS HE CAN BEST DO WITHOUT. FURTHER, IF THE COMMANDER DOES NOT DESIRE TO CREATE A MILITARY VACANCY, HE SIMPLY DECLINES TO MAKE A SELECTION AT ALL. THIS, WHICH WE DEEM AN INAPPROPRIATE ACTION IS A DIRECT RESULT OF A LETTER PUBLISHED BY FORSCOM, SUBJECT: REVISED CONDITIONS OF EMPLOYMENT FOR USAR MILITARY TECHNICIANS, DATED 2 APRIL 1984. IN THIS LETTER, THE FOLLOWING QUESTION WAS ASKED;

CAN THE FACT THAT THERE IS NO MILITARY POSITION AVAILABLE WITHIN THE UNIT BE JUSTIFICATION FOR NON-SELECTION OF ONE OF THE TOP THREE CANDIDATES FROM AN OFFICE OF PERSONNEL MANAGEMENT (OPM) REGISTER ?

THE REPLY FROM FORSCOM IS "YES SINCE THE CANDIDATE DOES NOT MEET THE CONDITION OF EMPLOYMENT. IF AN APPLICANT CANNOT BE A MEMBER OF THE UNIT HE/SHE SUPPORTS AS A CIVILIAN, IRRESPECTIVE OF THE REASON, THEN HE/SHE DOES NOT MEET THE CONDITION OF EMPLOYMENT AND CANNOT BE APPOINTED. THIS WOULD MEET THE CRITERIA FOR REQUESTING PERMISSION TO PASS OVER A VETERAN ON AN OPM REGISTER."

B. THIS SITUATION WORSENS AS A "POST 83" TECHNICIAN RISES IN MILITARY GRADE DUE TO THE FACT THAT HE CANNOT ACCEPT OR BE ACCEPTED FOR A CIVILIAN PROMOTION UNLESS THERE IS A RESERVE POSITION WITHIN THE UNIT TO ACCOMMODATE HIS PROMOTION.

C. WHEN AN OFFICER IS PROMOTED MILITARILY WHILE IN THE UNIT TO WHICH ASSIGNED AS A DUAL STATUS TECHNICIAN, HE MUST DECLINE THE MILITARY PROMOTION UNLESS THERE IS A CURRENT VACANCY WITHIN THE UNIT TO ACCOMMODATE THIS PROMOTION OR FACE DISMISSAL FOR FAILURE TO COMPLY WITH THE DICTUMS OF THE 8 DECEMBER 1983 LAW.

D. FEMALE APPLICANTS ARE DENIED THE OPPORTUNITY TO APPLY FOR CERTAIN POSITIONS DUE TO THE POLICY BARRING WOMEN FROM COMBAT .

E. RANK STRUCTURE WITHIN THE TROOP PROGRAM UNITS CANNOT ACCOMMODATE APPLICANTS.

AS AN EXAMPLE, I WOULD LIKE TO CITE TWO OF THE MOST RECENT CASES OF THE NEGATIVE EFFECTS OF THE MANNER IN WHICH THIS LAW HAS BEEN IMPLEMENTED WITH REGARDS TO "POST 83" CIVILIAN TECHNICIANS THAT HAVE BEEN BROUGHT TO MY ATTENTION:

1. A "POST 83" TECHNICIAN WHOSE RESERVE RANK IS SERGEANT MAJOR RECENTLY APPLIED FOR A CIVILIAN PROMOTION WITH A HOSPITAL UNIT BUT WAS NOT SELECTED. THE PRIMARY REASON FOR THIS NON-SELECTION WAS THE FACT THAT HE DID NOT HAVE THE MOS REQUIRED FOR THE RESERVE SGM POSITION WITHIN THAT UNIT AND THE COMMAND COULD NOT FINANCIALLY AFFORD TO SEND HIM TO A FORMAL SCHOOL IN ORDER TO ACQUIRE THE MOS.

2. A "POST 83" TECHNICIAN WHOSE RESERVE RANK IS CAPTAIN WAS REQUIRED TO DECLINE A PROMOTION TO MAJOR DUE TO THE FACT THAT THE UNIT HE SERVICES, ALTHOUGH THEY HAD AUTHORIZED MAJOR SLOTS, WAS NOT PROVIDED A VACANCY TO ACCOMMODATE HIS PROMOTION.

IF THIS SITUATION IS NOT ADDRESSED IMMEDIATELY, AND POSITIVE CHANGES BROUGHT ABOUT, ALL "POST 83" OFFICER TECHNICIANS WILL BE FACED WITH THE SAME DILEMMA AND EVENTUALLY FORCED TO LEAVE THE TECHNICIAN PROGRAM CONSIDERING THE FACT THAT THEY ARE ALLOWED TO DECLINE A PROMOTION ONLY ONCE.

I AM SURE YOU ARE AWARE THAT DURING TESTIMONY OF 25 APRIL 1989, I ASKED CONGRESS TO EITHER ELIMINATE THE 1983 LAW OR MANDATE

THAT THE ARMY ESTABLISH A SEPARATE TDA FOR CIVILIAN TECHNICIANS OR SIMPLY CARRY TECHNICIANS AS "OVERSTRENGTH" AGAINST THE TOTAL ARMY SHORTFALLS.

I AM SURE ALSO THAT YOU HAVE READ THE REPORT LANGUAGE WRITTEN IN HOUSE REPORT 101-206 WHICH ACCOMPANIED THE DEFENSE APPROPRIATIONS BILL STATING; "THE COMMITTEE CONTINUES TO SUPPORT THE TECHNICIAN PROGRAM AND EXPECTS THE RESERVE COMPONENTS TO CONSIDER AND DEVELOP POLICY CHANGES WHICH WOULD PROVIDE MORE FLEXIBILITY IN THE UPWARD MOBILITY OF THE TECHNICIAN IN HIS MILITARY ASSIGNMENT."

I AM WELL AWARE THAT AN EXPANSION OF WHAT CONSTITUTES A MOBILIZATION ENTITY HAS RECENTLY BEEN MADE. THIS ACTION UNFORTUNATELY DOES LITTLE TO RESOLVE THE MAJOR PROBLEMS FACING THE "POST 83" CIVILIAN TECHNICIAN.

I AM WRITING TO YOU REQUESTING THAT YOU MANDATE CHANGES THAT WILL CORRECT THIS SITUATION THEREBY ELIMINATING THE NEGATIVES IMPOSED ON THE "POST 83" TECHNICIAN.

ANOTHER CONCERN OF GREAT IMPORTANCE IS THE RECENT REVISION OF AR 140-315 WHICH STATES THAT DUAL STATUS CIVILIAN TECHNICIANS HIRED AFTER 1 SEPTEMBER 1970, BUT PRIOR TO 8 DECEMBER 1983 CANNOT VOLUNTARILY TRANSFER TO THE RETIRED RESERVE UPON COMPLETION OF TWENTY YEARS OF RESERVE SERVICE WITHOUT BEING SUBJECTED TO REMOVAL FROM THEIR CIVILIAN EMPLOYMENT.

THIS PROVISION NOT ONLY FORCES CIVILIAN TECHNICIANS TO REMAIN MEMBERS OF THE USAR, THEREBY DENYING RIGHTS HELD PRIOR TO THIS REVISION (I.E. RIGHT TO RETIRE AFTER SERVING ONES COUNTRY FOR 20 YEARS), BUT ALSO HINDERS UPWARD MOBILITY FOR ALL DRILLING RESERVISTS BY TYING UP DUTY POSITIONS FOR AN INDETERMINABLE PERIOD OF TIME.

I AM TOTALLY AWARE OF THE FACT THAT UPON MOBILIZATION, THERE MAY BE A REQUIREMENT FOR CIVILIAN TECHNICIANS TO PUT TO USE THEIR VALUABLE INSTITUTIONAL KNOWLEDGE TO ASSIST THE RESERVE UNIT. I AM ALSO AWARE, AS ARE YOU, THAT THIS REQUIREMENT EXISTS ONLY DURING THE LIMITED TIME SPAN PRIOR TO DEPLOYMENT SINCE MOST, IF NOT ALL OF THE DUTIES TO BE PERFORMED ARE ADMINISTRATIVE AND WOULD CEASE TO EXIST AT THE UNIT LEVEL UPON MOBILIZATION DEPLOYMENT.

IF THE CONCERN IS THAT THE NEED IS INDEED NECESSARY, AND THE INTENT OF THIS REVIBION IS NOT SOLELY TO PENALIZE THE CIVILIAN TECHNICIANS, MANY OF WHOM HAVE DEDICATED MORE THAN HALF THEIR LIVES TO THE RESERVE PROGRAM, THEN WHY NOT WRITE A FURTHER REVISION ALLOWING CIVILIAN TECHNICIANS WHO DESIRE TO TRANSFER TO THE RETIRED RESERVE TO SIGN A MEMORANDUM OF UNDERSTANDING THAT THEY WILL, UPON MOBILIZATION OF THE UNIT THEY SERVICE, ACCOMPANY THAT UNIT UP TO THE DEPLOYMENT PHASE OF MOBILIZATION.

THE FINAL CONCERN I WISH TO ADDRESS IS THE FACT THAT UNDER THE REVISION TO AR 140-315, A CIVILIAN TECHNICIAN REMOVED FROM HIS MILITARY STATUS FOR NOT MEETING WEIGHT STANDARDS OF AR 600-9 IS ALSO SUBJECT TO REMOVAL FROM HIS CIVILIAN JOB.

THIS IS TOTALLY UNJUST IN AS MUCH AS:

1. THIS REQUIPEMENT DID NOT EXIST WHEN MOST CIVILIAN TECHNICIANS STARTED WITH THE GOVERNMENT.

2. AS I AM SURE YOU ARE AWARE, WHEN ONE ADVANCES IN YEARS, IT BECOMES INCREASINGLY MORE DIFFICULT IF NOT IMPOSSIBLE TO COMPLY WITH THE PROVISIONS OF AR 600-9. THIS IS NOT BECAUSE THE INDIVIDUAL DOES NOT WANT TO, BUT AS ONE GETS OLDER, THEIR SYSTEMS CHANGE AND THROUGH NO FAULT OF THEIR OWN, THEY ARE UNABLE TO LOSE WEIGHT.

TO UNILATERALLY IMPLEMENT CHANGES SUCH AS THE CONDITIONS OF EMPLOYMENT IN AR 140-315 IS FIRSTLY A VIOLATION OF LAW UNLESS IT IS FIRST NEGOTIATED WITH LABOR UNIONS WHO HOLD EXCLUSIVE RECOGNITION; AND SECONDLY, WHILE THIS CHANGE MAY BE APPROPRIATE FOR REMOVAL FROM DRILLING RESERVIST STATUS, IT MOST CERTAINLY SHOULD NOT HAVE AN IMPACT ON AND BRING AN END TO THE YEARS OF DEDICATED SERVICE THESE MEMBERS HAVE GIVEN TO THE CIVILIAN TECHNICIAN PROGRAM.

AS I HAVE STATED TO YOU IN THE PAST, I AM AS ANXIOUS AS YOU ARE TO SEE A WORKABLE PROGRAM IN PLACE.

I WOULD APPRECIATE HEARING FROM YOU WITH REGARD TO THE PROBLEMS ADDRESSED IN THIS LETTER IN ORDER THAT I MIGHT INFORM THE CIVILIAN TECHNICIANS REPRESENTED BY AFGE OF THE CURRENT ACTIONS BEING TAKEN BY YOU TO CORRECT WHAT HAS BECOME A SERIES OF NEGATIVES MAKING THE CIVILIAN TECHNICIAN JOB EXTREMELY FOREBODING.

BECAUSE OF THE INTEREST THAT CONGRESSIONAL REPRESENTATIVES HAVE SHOWN IN THESE ISSUES, I HAVE TAKEN THE LIBERTY OF PROVIDING THEM A COPY OF THIS CORRESPONDENCE

THANK YOU IN ADVANCE FOR YOUR ANTICIPATED SUPPORT.

SINCERELY:

JOHN M. ESPOSITO
AFGE NATIONAL CHAIRMAN
Coalition of USAR and NG
Civilian Technicians

cf:

WEDNESDAY, MAY 2, 1990.

ASSOCIATION OF CIVILIAN TECHNICIANS

WITNESS

JOHN T. HUNTER, PRESIDENT OF THE ASSOCIATION OF CIVILIAN TECHNICIANS

INTRODUCTION

Mr. MURTHA. The next witness is Mr. John Hunter with the Association of Civilian Technicians. Mr. Hunter.

STATEMENT OF MR. HUNTER

Mr. HUNTER. Thank you, Mr. Chairman.

I appreciate the opportunity to testify today.

My testimony addresses four areas of concern, the Active Guard and Reserve program; technician military education requirements; the military uniform requirement; and the use of Federal equipment by private organizations.

FULL-TIME SUPPORT

In this time of economic budget constraints and the proposed reduction in defense spending, the Active Guard and Reserve program must be examined more carefully than ever before. Full-time support for the National Guard and Reserves is provided by both civilian technicians and AGRs.

Through the years, there have been many reports, MCR, S&I, and several from GAO, that found the AGR program to be mismanaged and more costly than the technician program; yet, the AGR program continues to grow. In fact, during the 1980s, 88 percent of the growth in the full-time support program has been in AGR increases.

As late as February of this year, the General Accounting Office released another study of the Reserve components. Did it find any improvement in the management of the AGR program or a reduction in the cost of the AGR program? No. It found the program to be so mismanaged that the Army's requirement for 120,000 full-time support personnel lacked sound justification—that the unit AGR staffing guides are established without work-load analyses and without any degree of accuracy—and that a comparison of the two personnel categories found technicians to be less costly. This same GAO report cites previous reports that either personnel category, AGR or technician, can be used to fill the full-time support positions. It also states that the DOD and congressional committees have directed that the most cost-effective mix of personnel be used.

I recommend that no additional funds be provided for AGR growth; that the AGR program be allowed to phase out through attrition, that extensive hearings be conducted on the full-time support program in the National Guard and Reserves; and that language be included in the Appropriations bill to prevent the conversion of any technician position to AGR status.

MILITARY EDUCATION PROGRAM

The next item I want to bring to the committee's attention is the implementation of the Army National Guard's Military Education program, renamed Professional Development Program, as it applies to civilian technicians. This discriminatory program, required for promotion in the National Guard, applies only to technicians and was not placed upon other Guardsmen. Technicians, ten percent of the Guard strength, are subjected to MEP. The other Guardsmen are not. The MEP/PDP program is rife with confusion. Each State interprets the guidelines differently. Many training records are incomplete and inaccurate and, to add to the confusion, course titles and training objectives of previous schooling have been altered. The result is that many technicians are being required to attend courses of instruction not necessary to meet promotion requirements. This all adds to the high cost of a program that should never have been initiated.

UNIFORM REQUIREMENTS

The third item that warrants discussion as an unnecessary expense is the requirement that civilian technicians wear the military uniform while performing their day-to-day technician duties. It is an unnecessary expense because there is no acceptable reason for the requirement. For years, technicians wore civilian attire during the civilian work week and were proud to wear the military uniform when in military status during a weekend drill assembly, a two-week field training period, an armory or air base open house, or a holiday parade. Technicians are Federal civilian employees, governed by civilian personnel regulations and paid under general schedule and wage grade salary procedures. During their technician work week, they are not subject to military personnel regulations and military clothing items is constantly increasing—why waste the funds by dressing civilian employees in a military uniform? A committee ban on this requirement would save millions of dollars.

EQUIPMENT AND PERSONNEL

Finally, we have the use of Government equipment and personnel by private organizations. The House Armed Services Committee, in report No. 100-563 accompanying the Defense Authorization Act for fiscal year 1989, has given the Service secretaries authority to approve air and ground transportation, communications, administrative and security support for national military associations in support of their conferences. This authorization will be a "blank check" for organizations, such as the National Guard Association and the Adjutants General Association, to use National Guard aircraft, vehicles and personnel without cost to those private organizations. For example, 28 National Guard aircraft were used to fly NGAUS delegates to and from their convention in Detroit this past September.

Mr. MURTHA. We appreciate you appearing before the committee. We will certainly look over your testimony in detail and your statement will appear in the record in its entirety.

Thank you very much.

Mr. HUNTER. Thank you, Mr. Chairman.

[The statement of Mr. Hunter follows:]

ASSOCIATION OF CIVILIAN TECHNICIANS

JOHN T. HUNTER
National President

STATEMENT BY

JOHN T. HUNTER

PRESIDENT OF THE

ASSOCIATION OF CIVILIAN TECHNICIANS

BEFORE THE

SUBCOMMITTEE ON DEFENSE

COMMITTEE ON APPROPRIATIONS

UNITED STATES HOUSE OF REPRESENTATIVES

SECOND SESSION, 101ST CONGRESS

May 2, 1990

301-B Commerce Street
Occoquan, VA 22125
Tel. 703-494-4848

"Duty . . . Dedication . . . Dignity"

Mr. Chairman and members of the committee, I appreciate the opportunity to once again appear before this committee and present our organizations views on the full-time support program within the National Guard. I would also like to take this opportunity to express our sincere thanks for your continued support. My testimony will address four areas of concern. (1) the Active Guard and Reserve (AGR) Program; (2) Military Education Requirements; (3) The Military Uniform Requirement; and (4) The use of Federal equipment by private organizations.

In this time of economic budget constraints, and the proposed reduction in Defense spending, the "value" of the AGR program must be examined more carefully than ever before. However, we do not use the word "value" to mean just the financial cost of the program, but whether or not it has enough intrinsic value to justify its existence.

It is, and has always been, our contention that it is of little value, extremely wasteful, and has failed to live up to its promise. Its minimal value can be traced to the very concept of what the program was supposed to achieve and the way it has been managed. For reasons, which we will make clear, it could not live up to its highly vaunted forecasts. Its failure to live up to the inflated statements uttered by its creators will be easily understood when you hear how AGR's are trained, what it is AGR's do, and how they have been assigned. Truly, it can be said that the AGR program was doomed from the start. Its waste is readily apparent to anyone who examines the high pay and benefits given

to AGR's, which at the same time are denied to civilian technicians who do exactly the same work.

The seed for the AGR program was planted in 1975 when Congress directed DOD to use the least costly form of manpower in the DOD Appropriations Act of 1975, Public Law 93-365. In 1976 the Defense Manpower Commission, in its report to the President and Congress, concluded that $270 million could be saved annually by replacing all Army and Air Force reserve component technicians with Guardsmen and Reservists on active duty. The following year Major General Francis Gerard, currently Adjutant General for New Jersey, conducted a comprehensive review of the Full-time support program. The "Gerard Study" recommended the retention of the technician program but a test AGR program was still put into effect.

In its' November 1980 report to the Deputy Assistant Secretary of Defense for Reserve Affairs, Management Consulting & Research Inc. stated there would be no significant cost savings in converting technicians to AGR status and that additional costs could be incurred due to pay and benefit differentials and lower military manpower availability. MCR also reported no measurable change in unit readiness due to the conversion test and that job perfomance showed no significant difference between the dual status technician and full-time military personnel.

In 1983 the Surveys and Investigative Staff of the House Appropriations Committee reported that the National Guard Bureau's "four sergeants per unit" plan would cost approximately $115,000 annually per unit. Formerly, two technicians did the job

at an approximate cost of $42,000. Back in the early 1980's it was already apparent that AGRs would cost more than additional technicians but the AGR program continued to grow.

Lt. General John Conaway Chief of the National Guard Bureau, then Director of the Air National Guard, testified before the House Defense Appropriations Subcommittee as follows:

> "I am surprised that the AGRs, who obviously are not organized, are not complaining more than the technicians or the technician unions, because AGR personnel are basically discriminated against more than the technicians are when it comes to upward mobility".

This statement flies in the face of the previously cited 1983 S&I Report that found too many management and supervisory positions were being filled by AGRs. AGRs are still moving into most of the supervisory positions at the expense of technician advancement. General Conaway's statement includes refence to technician unions which seem to cause some sort of problem for the National Guard Bureau. However, the 1980 MCR report and subseqent reports found no specific examples of union interference with military activities or unit readiness. Rep. Norman D. Dicks identified the problem during 1981 hearings by the House Defense Appropriations Subcommittee when he said: "I keep hearing that there is kind of an anti-union mentality in the leadership of the Guard".

When the AGR program was first proposed, its alleged benefits were announced with high-flown statements that now only

bring a cynical smile to the face of anyone who has studied it. The same is true of all the praise that has been heaped on it since its inception. For example, AGR's were going to be assigned to deployable units. They would then be able to improve the training level of the units and enhance their mobilization readiness. Also, the AGR program was going to provide the Reserve Components with a broad breadth of experienced personnel. They would perform duties which were a departure from the traditional administrative support role performed by civilian technicians and provide units with personnel who had a broad range of military skills. Not only has the AGR program failed to live up to these glowing standards. The Civilian Technician program has managed to consistently prove its superior value. Whatever modest benefits the AGR program has provided, it is in a large part due to the constant help and sustenance provided by technicians. Meanwhile, these modest benefits have been purchased at a very high cost.

It would not be possible for the AGR program to achieve its goal unless its personnel are properly utilized. When we examine the program, we find that one-third of its personnel are not even in deployable units. In some individual states, the percentage is as high as 48%! It also means that most of these AGR's are not mobilizaton assets. The managers of the AGR program have assigned many thousands of AGR's in a manner that can only be characterized as a conspicuous disregard for one of the basic reasons for its creation. The AGR's we are talking about are those which have been assigned to the State Area commands (STARC). These personnel have no specific commitment to report to a mobilization station.

Many of them never will, for their mobilization assignment is to stay behind, within the boundaries of their home states, and perform administrative, security, and housekeeping duties. More than that, some of those STARC personnel have duties that require no combat training, nor are they issued any combat equipment, nor are they assigned to any combat unit. Technicians, by law, must work, train and deploy with their units. This requirement is prescribed by the National Guard Technician Act of 1968, Public Law 90-486.

How far all of this is from the original reasons for the AGR program! How far from the supposedly urgent and necessary fact that AGR's would be placed in combat units, be deployable assets, and get their parent units ready for mobilization and raise their level of training. How far all of this is from the need for AGR's to be at the cutting edge when their units would deploy to their mobilization stations. This serious variation from the initial standards for the AGR program was not sanctioned by the Congress. It was done by the managers of the program and amounted to a self-inflicted wound. It succeeded in bringing the program into greater disrepute than it already had and further weakened any slight arguments in its favor.

But, there are more serious and far-reaching faults with the AGR program, that discredit it completely. AGR's only do work that can, is, or was done by technicians. This is a bed-rock, categorical statement. In most cases, both groups do the same work. Where there is a difference, it is only because the managers of the AGR program will not permit technicians to do

them. Most interestingly, those tasks used to be done by technicians. Therefore, we have an act of deception, when friends of the AGR program try to prove its necessity. For years they have tried to demonstrate that AGR's are a special group of employees, separate and apart from technicians. But, no amount of deceptive arguments can alter the truth. It is not true.

We are sure that you can see why it is so important for them to try and maintain the falsehood. How can the AGR program be justified, if AGR's only do work that was always done by technicians, or can be done by technicians? Under those circumstances, what driving, rational reasons can be advanced for the program? How could the friends of the program satisfactorily explain what special benefits were being provided to the Reserve Components? They would have to admit that AGR's were doing nothing new or special, and were identical to civilian technicians. At that point, the reasons for the AGR program would collapse. It would be a tacit admission that technicians could just as well improve the level of training for their parent units, and just as readily get them ready for mobilization. The AGR program would be stripped of any reason for its existence, and be revealed for the sham and fraud it is.

AGR's are not a special group of military personnel, whose workday is devoted to participating in military exercises; nor, do they spend their time abiding by a different set of training and mission requirements, than that which applies to civilian technicians. For example, in the Army National Guard, most AGR's are only an administrative, clerical work force. Contrary to what

has already been stated, they do not represent a departure from the administrative support role which technicians have always performed. Any attempt to convey a different impression is fraudulent.

In order for the committee to verify what it is that AGR's are expected to do on a day-to-day basis, it need only examine the published AGR Job Descriptions. After having done so, it would be beyond comprehension for anyone to continue any belief in the lie that AGR's do work that is unlike that which has been done by technicians. AGR's are nothing but a redundancy, who do work, that historically, was the sole province of technicians.

When the proponents of the AGR program say that AGR's alone can, and must be used to improve the status of the Reserve Components, they only reveal their prejudiced and myopic viewpoint. In all probability, they know what the truth is, but must live with a lie. This is necessary for them to keep proping up an unnecessary wasteful program. AGR's do nothing that cannot be done by technicians.

To further underscore the relative values of the AGR and Civilian Technician programs, we now make another categorical statement. Technicians alone are permitted to work in maintenance shops of the Army National Guard. We stress this point, because, at times, it has been said that one reason for the AGR program was to provide well trained, highly skilled, personnel, who would be needed to deal with the new and complex equipment entering the Army's inventory.

However, when a new piece of equipment enters the Army

National Guard inventory, it is technicians alone who encounter it first. It is they who perform the necessary Technicial Inspection, before any equipment is accepted for use. Further-, more, if any equipment is in need of major repair or maintenance, it is technicians who do it. Please keep in mind that we are speaking of the entire scope of such repair from patching a ripped tent, to calibrating sophisticated electronic equipment, to repairing a tank or howitzer, etc. Without fear of contradiction, it can be said that technicians are far more valuable to the Army National Guard than are AGR's. For, not only can they match AGR's, job-for-job in the administrative area, it is they alone who keep equipment up to standard, without which, no unit could enter battle.

As far as the Air National Guard is concerned, we have a somewhat different picture. But, friends of AGR's can take no comfort from it. Once again, AGR's and technicians both perform administrative duties. On the flight line, they are both involved in getting planes ready for flight. But, there is no distinction in the work they do. What one does is done by the other. Is it any wonder that technicians, with many years of experience on the job, ask why AGR's have been satellited upon the Air National Guard? If they do nothing special, why are they here? Why does the Air National Guard need them? Interesting to note, the Air Force Reserve does not embrace the AGR Program. During testimony before the House Defense Appropriations Subcommittee on May 13, 1982, Major Genearl Richard Bodycombe, then Chief of the Air Force Reserve, stated: "As you know, one of the main reasons we

have been so successful in maintaining readiness in the Air Force Reserves is our Air Reserve Technician program. " A year earlier he testified that the Air Reserve was very happy with its "mix" of mostly technicians.

We also draw the committee's attention to the fact that many Air National Guard units still have a preponderance of technicians. Those units have participated in joint training exercises with the regular Air Force and have excelled. Now ask yourselves the same questions that technicians have been asking for years. After all, if units with so many technicians, can do so well against the regular Air Force, who needs AGR's? How are AGR's supposed to improve on the status of those units?

More than joint training exercises, there is hardly a day when Air National Guard planes are not on flight missions within and/or outside the continental United States. It is an exemplary record. The men and women of the Air National Guard have every right to take pride in their achievement. But, it would be ludicrous to say that this very fine record was brought about because of the AGR program, or that it played a major role in establishing it. This is due to the fact that there are many technicians still found in Air National Guard units. We ask the committee to remember how new the AGR program is in relation to the Civilian Technician program. Now think of all those technicians who have worked on aircraft for a longer period of time than the entire life-span of the AGR program. It is axiomatic that there is no substitute for experience. Therefore, it is just common-sense reasoning which is needed to come to the conclusion

that only technician have the deep quality of skills needed to do all the complex jobs required to keep modern aircraft ready for missions. It is not that AGR's have done nothing. All we ask of the committee, is to recognize that the true strength and backbone of the Air National Guard still comes from its civilian technicians. Adding AGR's was only of dubious and marginal value.

It is not our contention that AGR's do nothing or are worthless. We just want the committee to realize that there is neither a pressing need for them, or that the improved level of readiness in various units is not due to inherent factors in the AGR program. Let us give you just one example of what we mean. It will further illustrate the questionable value of the program and help bring into focus the deception that is sometimes used when the need for AGR's is loudly proclaimed.

Since the very start of the Civilian Technician program, only one technician was employed in many Army National Guard units. That one individual was responsible for administration, supply, and training. When the AGR program started, there was an infusion into those units that was never permitted in the Civilian Technician program. We now have situations where there are four AGR's working in those same units! One specializes in training, one in administration, one in weapons, and one in supply. By the mere expediency of tripling the work force, the status of many units has improved. There is neither magic nor originality in that technique. It would have been amazing if things had not improved.

More work is being done and in a more timely manner, because

there are now more people available to handle the rising tide of work that is needed to keep the Army National Guard at a resonable level of combat readiness.

It is almost an embarassment to hear managers of the AGR program try and justify it on the basis of raw numbers alone. It may be the only valid contribution of the AGR program. But, it may be even a greater embarassment to hear AGR program managers try and deal with the concept that the improvements could just as well have been accomplished by hiring more technicians. They have no honest answers.

It is a travesty of logic and a deception of the worst kind, when it is said that AGR's were needed for the improvements. They simply represent additional hands to do the work. What is most significant, is that those hands only do work that was always done by civilian technicians.

It is now important that we examine how the AGR's of both the Air and Army National Guard learned their day-to-day duties. This will further tarnish the image of the AGR program and demonstrate the extent it has gone to in order to gain the skills and knowledge without which they could not function. To an extreme degree, those skills and knowledge were provided by the Civilian Technician program.

At the inception, the AGR program was comprised of technicians alone. They were those who elected to convert to AGR status. There was no need to train them, for their jobs as AGR's were no different than their jobs had been as technicians. Some of those converted technicians still exist. But, what of all the

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new and inexperienced personnel off the street to fill the ranks of the AGR program? How were they going to be trained? Who was going to train them? Arrangements were made to send them to various schools. However, in the vast majority of cases, they did not attend those schools until many months after they were hired. In some cases, it was more than a year's delay. Obviously, the only people available to give AGR's their initial training were technicians. Who else was available? The converted technicians were still few in number. Consequently, it became an almost standard practice for technicains to take new AGR's in-hand, and teach them their day-to-day duties.

This practice continues to this very day. Without technicians, the task of training over 40,000 AGR's would be impossible. Who else knows what has to be done? If any attempt is made to say that formal schooling did this training, it will just be another example of the false and deceptive statements frequently advanced to cover the weaknesses of the AGR program. We have already made reference to the fact that there is no substitute for experience. Formal schooling cannot match working on the job for many years. No school honestly maintains that. Is there any true alternative to working side-by-side with someone who has written a thousand letters, or who has repaired countless aircraft engines? By virtue of its newness, the AGR program could not compare with the experience found in the Civilian Technician program.

How galling it is to hear the proponents of the AGR program laud the skills and achievments of AGR's. Meanwhile, technicians

are either damned with faint praise or ignored. The truth of the matter is that the AGR program would be more of an empty shell than it is, if it were not for the availability of technicians. At this point, we ask you to think back to the original standards of the program. Of how it was going to provide skilled and experienced personnel with a wide variety of military capabilities. Does anyone doubt that technicians cringe when they hear statements of that sort?

Consider the viewpoint of technicians who hear that it is AGR's who will replace them; or when they hear that it is the AGR program which is needed to meet the challenges of the future; or when they hear of AGR skills, and AGR's would be a departure from the past. Instead, what they see and experience is a group of employees who are just a reflection of the Civilian Technician Program. Of personnel who turned to them and asked to be trained; of personnel, who have contributed nothing new or different; of large numbers of personnel who are not mobilization assets. Yet, they hear the AGR program heaped with praise and proclaimed a success. We assure the committee, that the use of "sham", "fraud", "deception"., and "waste: are accurate and justified, when describing the AGR program.

It is a matter of simple logic that two groups of workers, doing the same work, will achieve the same results. How much intrinsic value can the AGR program possibly have? There was never any real need to graft the program unto the Reserve Components. Anything that had to be done, could have been done by simply hiring more technicians.

We would now like to turn your attention to the other definition of value which applies to the AGR program. Namely, the very high cost and financial burden it places on all of us.

AGR's are paid according to their military rank and longevity. This, despite the fact that they are not truly members of the regular armed forces. They reside in a gray world, between that of members of the armed forces and civilian technicians. That is to say, that they receive the pay and benefits of the former, while doing the work of the latter. In addition, they are not subject to the Uniform Code of Military Justice that applies to members of the regular armed forces, nor can they be transferred outside the limits of their home state. In fact, they work under the same conditions as laid down for technicians, and work the same work schedule. Consequently, AGR's never endure the hardships one usually associates with the life of a soldier or airman. For example, there are no rotations of duty from post-to-post; nor overseas tours of duty; or irregular duty hours; or long separations from ones family; etc.

We emphasize these issues, because of two reasons. First of all, we have encountered a rising criticism from members of the regular armed forces about AGR's. They want to know why AGR's get the same compensations they get, and at the same time, live such a different life. We regard the criticism as well-founded. So, we ask the committee to keep all of this in mind, when it hears what pay and benefits are given to AGR's, and whether or not the government is getting a proper return. Congress recognized the problem early-on. During hearings in 1982, then Chairman of the

House Defense Appropriations Subcommittee, Rep. Joseph Addabbo stated: "The AGR program could affect Army morale since the benefit program is superior to the regular army." In April of 1984 the following exchange took place between Rep. John P. Murtha and Lawrence J. Korb, Assistant Secretary of Defense:

Murtha: "We received information from the National Guard Bureau that shows that for functions involving AGRs and comparable General Schedule military technicians, the AGRs are always compensated more." "Would you agree that AGR personnel who, generally, will live and work in their community or state for their whole career, are not subject to the hardships of personnel serving in the active forces?"

Korb: "Normally that is the case, yes."

Murtha: "Now, why should we pay these personnel at the same level of compensation as the active forces counterparts when they are not expected to undergo the same hardships?"

Korb: "Well, a couple of things. First of all, we do have a total force and I think if you had a separate compensation system for military people in the guard and reserve that would be inconsistent with total force policy as well as existing law, which prohibits discrimination."

Murtha: "But don't you do this with civilian Technicians?"

Under the previous income tax law, AGR's received tax free

payments amounting to 20% to 40% of their pay. This was due to the BAQ, BAS and VHA they receive. The difference in percentage depends on the rank and longevity. However, civilian technicians get no tax free payments. This, despite the fact that they all do the same work. Why are AGR's worth this very handsome tax break? It is tantamount to a gift. Once again, consider a technician's viewpoint under this circumstance. Also, consider for example, AGR's get free medical care and unlimited sick leave. It is the government which pays and provides. We need not tell the committee of the current high cost of medical care and how many people would like to have free medical insurance, along with all the time necessary to recover from an illness, and at the same time, not be charged for it. The cost of the medical insurance can be estimated very closely. It reaches into the millions. But, the man-hours lost between one group who has unlimited sick leave privileges and another, who must accrue sick leave, is more subtle. However, it is apparent to anyone who knows anything about the cost factors of employes, that an unlimited sick leave policy is far more costly. Again, the AGR's prove to be the more costly group. Now add to this a generous annual leave policy, granted to them each and every year. It takes many years for a technician to reach the maximum level of 26 days annual leave a year. AGR personnel receive 30 days from the very start. This type of unearned leave policy is very expensive, when put side-by-side with the one that applies to technicians. In testimony presented in 1984 before the House Defense Appropriations Subcommittee the then Director of the Army

Guard, Major General Herbert Temple discussed medical costs as follows:

> "In the fiscal year 1985 budget there is an increase of $1,939,000 in medical care costs to support the increase in full-time military members. This support provides for medical care in non-federal facilities. The ARNG trys to have AGR personnel go to federal medical facilities, however, in some remote locations there are none. The medical care includes physical examinations."

On top of all of this, there are a whole array of compensations given to AGR's which are denied to the technicians. The following are just a sample. Bonus payments, Survivor Benefit Plan, free legal counseling, state and local tax advantages. It goes on in a monotonous vein. We will not go any further with this topic, enough is enough. It should be abundantly clear that AGR's are very costly government employees.

Let us take a step backward and take a dispassionate view of the AGR program. What do we see? We see a government program that has not and cannot live up to its promise. We see a program that has been poorly managed. We see a program perform duties that are just an imitation of duties that are being performed by others. We see a program that treats its members as if they were members of the armed forces, when they are not. We see a program that had to draw sustenance in matters of skill and knowledge from the Civilian Technician program, and then claim them as their own. We see a program that has brought nothing new or different to the

Reserve Components. We see a program whose limitations in the maintenance area make it less valuable than the Civilian Technician program. We see a program whose level of skill will take many years to match the level currently enjoyed by the Civilian Technician program. We see a program whose true contribution to improving the Reserve Commponents was the addition of personnel and nothing else.

All-in-all, it is an unsatisfying and disturbing display. Most shocking of all, is the realization that in a time of economic strife, we see a government continue to support a failed program. One that is extremely expensive and gives very little in return for all the money it costs.

In 1985 the General Accounting Office said an all civilian technician force would be less costly than all AGR force in its June 1985 study titled "Problems in Implementing the Army's Reserve Components Full-Time Manning Program". In November of the same year the Congressional Budget Office, in a report titled "Improving the Army Reserves", said the annual costs for AGRs would rise by over $1.5 billion between 1986 and 1990. It said the average pay rate for AGR personnel was estimated to be $42,000. Yet, the program continues to grow.

Senator John Glenn, during debate on Defense Authorization for FY-88 & 89 said: "I am concerned about the larger issue of the very sizeable number of personnel we have in our Reserve forces full-time manning program, and the extraordinary growth of this program in the short 7 years of its existence, To my way of thinking this full-time manning program has never been adequately

justified, expecially not as the huge program it has become." Yet, the AGR program continues to grow.

In 1988 the GAO still found management and morale problems due to two full-time support programs - civilian technician and AGR - performing similar duties with different personnel procedures and different pay and benefits. This was reported in a Novemeber 1988 report titled "Opportunities to Improve National Guard and Reserve Policies and Programs." Yet, the AGR program continues to grow.

Years after its origin the AGR program is still plagued with mismanagement. Many individuals are using it for personal gain - unqualified AGRs are being assigned - technician positions are still being converted through the transfer process. Yet, the AGR program continues to grow.

As late as Febuary of this year, the Genearal Accounting Office released another study of the Reserve components titled "Opportunities to Improve Management of the Full-time Support Program", The GAO again finds the AGR Program to be mismanaged; Technicians to be the less costly of the two personnel categories; that AGR Unit Staffing Guides are established without sound justification; and that during the 1980's AGRs accounted for 88% of the growth in the full-time support program. Yet, the AGR program continues to grow.

It is our estimate that if an equal number of technicians had been hired to take the place of AGR's, the government would now be saving about $600,000,000 a year. In no way would this substitution endanger or degrade the effectiveness of the

Reserve Components. Civilian Technicians, who taught AGR's what to do, would and could do everything currently being done by AGR's. Furthermore, they would do each and every task to the highest possible standard, which is something they have always done. Many years ago in 1967, General Winston P. Wilson, then Chief of the National Guard Bureau, told the Senate Armed Services Committee: "I hardly need to tell this committee that the splendid showing of National Guard in its mobilization for service in Korea and Berlin was due in large measure to the competence of its full-time technicians."

Seven years ago the Surveys & Investigative Staff of the House Appropriations Committee found the AGR Program to be mismanaged, too costly and that too many management and supervisory positions were being filled with AGR's. The GAO now finds the exact situation exists today only now there isn't even justification for the AGR staffing guides. On April 4, 1990 Stephen M. Duncan, Ass't Secretary for Reserve Affairs, testified before this committee that "The management structure and guidance must be continually reviewed to ensure most cost effective full-time support force is maintained." Years ago there was a move to replace technicians with AGR's for a possible saving of $270 million annually. Today, over $600. million can be saved by replacing AGRs with Technicians. Does the National Guard Bureau and DOD say phase-out the AGR program? No! The recently retired Chief of The National Guard Bureau General Herbert R. Temple, in an article written for the Reserve Officers Association Magazine "The Officer", says phase-out the Technician program. (Attachment

#1). The Technician program has always provided the continuity and stability essential to a part-time Army. General Temple wants to phase-out the wrong program.

RECOMMENDATIONS

1. No additional funds should be provided for AGR growth.

2. Phase out the AGR program through attrition. All full-time support positions should become technician positions controlled by OPM Job Grading Standards. Allow AGR's the option of applying for deployable technician positions. (By law, all technicians must work, train and deploy with their units). Transfer of finds from AGR to Civilian personnel accounts will be required.

3. Conduct extensive hearings on the full-time support program in the National Guard and Reserves. Investigative teams should be dispatched into the various units.

4. Incorporate the following language into the Defense Appropriations Bill:

" None of the funds appropriated by this act shall be available to convert a position in support of the Army Reserve, Air Force Reserve, Army National Guard and Air National Guard occupied by, or programmed to be occupied by, a civilian technician to a position to be held by a person in an Active Guard or Reserve status if that conversion would reduce the total number of positions occupied by, or programmed to be occupied by, civilian technicians of the troop program unit or squadron unit concerned, below the number of positions occupied by civilian technicians in those units as of the end of FY-91."

The next item I want to bring to the Committee's attention

are the many problems that exist since the implementation of the Army National Guard Military Education Program (MEP), and the Professional Development Program (PDP) as it applies to Civilian Technicians.

*The National Guard Bureau instituted a Military Education Program (MEP) that applied only to civilian technicians employed by the National Guard. That discriminatory program required technicians to attend active component military schools to qualify for military promotions in the National Guard. The requirement was not placed upon other Guardsmen who continued to be qualified for promotion by attending state schools.

*The General Accounting Office investigated "MEP" and found it to be more expensive than state schools, that the training could be accomplished just as well at state schools, and that there was a financial burden on technicians.

*Congress recognized the "MEP" problem and ordered a one-year phase-out of the program in the FY-89 Defense Authorization Bill.

*NGB then issued a new policy titled Professional Development (PDP). It is a form of the old "MEP" and is still discriminatory as it only applies to National Guard civilain technicians.

*"PDP" does provide for training at state schools. But, if the required training is not available the technician can elect to take a skill qualification test (SQT) and if scoring 60 or better be considered qualified for promotion - except that he/she must attend battle skills training at Camp Robinson in Little

Rock, Ark.

* The Congress has clearly stated that technicians should be required to attend "Battle Skills" training only if necessary to the technician's military occupational specialty. Yet, the National Guard Bureau has informed the states that all technicians must attend "Battle Skills" training. Battle skills training is already covered in a soldier's common training task and certainly is not needed by combat veteran technicians.

* Confusion is rife in the MEP/PDP program. Each state interprets the guidelines differently. Many Readiness NCO's and Training NCO's are not completely familiar with the training requirements. Many of the training records are incomplete and inaccurate. To add further to the confusion, the course titles and training objectives of previous schooling have been altered. The result is that many technicians are being required to attend courses of instruction that they have already completed, or they have already met the qualifications, or are not necessary to meet promotion criteria. This all adds to the high cost of a program that should never have been initiated.

*Phase II training and SQT testing material is not available in many states. This forces technicians to attend active component schools to qualify for promotion.

*Technicians are <u>denied promotion</u> - and many have been <u>demoted militarily</u> - due to the discriminatory MEP/PDP requirement. Only technicians - 10% of the Guard strength - are subjected to MEP/PDP. The other Guardsmen (90%) are not.

*Technicians are required by law to hold compatible po-

sitions in the National Guard and to maintain qualification and promotion criteria to retain their technician positions. The more impossible NGB makes it for technicians to compete militarily with "M-Day" Guardsmen, the more difficult it becomes for them to continue federal employment.

*The Military Education Program (MEP) has not been phased out as Congress instructed. It has been altered and renamed Professional Development Program (PDP).

All Guardsmen should be equally trained - all Guardsmen should have an equal opportunity for promotion - it's time that all Guardsmen met the same standards. I respectfully request that the DOD/NGB be instructed by this committee that no allocated training funds are to be utilized in support of the MEP/PDP requirement.

The third item that warrants discussion as an unnecessary expense is the requirement that technicians wear the military uniform while performing their day-to-day civilian duties. It's an unnecessary expense because there is no acceptable reason for the requirement. The National Guard Bureau will tell you it is necessary for "Esprit De Corps", for purposes of discipline and to demonstrate to the public that the National Guard is a military organization.

What NGB doesn't tell you is that for many years there was no requirement for technicians to wear military uniforms. They wore civilian attire during the technician work week, with total dedication to their assigned duties, and were proud to wear the military uniform when in military status. As for discipline -

when did it become necessary for an agency to dress Federal Civilian Employees in military uniforms to maintain discipline? Army and Air Reserve Technicians, and other DOD employees, wear civilian attire - is there any lack of discipline in those areas?

As for public appearance - let me state that it is a rare occasion when a member of the public is in a position to observe a National Guard Technician in the performance of his or her daily duties. Most are hidden away in maintenance shops, armories, air bases and headquarters buildings that provide no acess to the general public. But that same technician, while participating as a member of his Guard unit during weekend drill assembly, a two week field training period, an armory or air base open house, or a holiday parade, is proud to wear the military uniform.

Technicians are Federal Civilian employees, governed by civilian personnel regulations and paid under General Schedule and Wage Grade Salary procedures. During their technician work week they are not subject to military regulations and they do not receive military pay and benefits. The cost of military clothing items is constantly increasing - why waste the funds by dressing civilian employees in military uniform? A committee ban on this requirement would save millions of dollars annually.

The final item for discussion is the use of government equipment and personnel by private organizations. The House Armed Services Committee,, in report number 100-563 accompanying the Defense Authorization Act for FY-89, has given the Service

Secretaries authority to approve air and ground transportation, communications, administrative and security support for national military associations in support of their conferences.

This authorization will be a "blank check" for organizations, such as the National Guard Association and the Adjutants General Association, to use National Guard Aircraft, vehicles and personnel without cost to those private organizations. For example, twenty-eight (28) National Guard Aircraft were used to fly NGAUS delegates to and from their convention in Detroit this past September.

I respectfully request that the committee instruct DOD that no funds are to be utilized in support of any private organizations.

In summary, I offer four areas in which this committee can provide for better utilization of much - needed tax dollars:

1. Phase-out the Active Guard & Reserve (AGR) Program and make the funds available to increase the Technician Program.

2. Require all Guardsmen to meet equivalent training standards by eliminating funding for the PDP training requirement for technicians.

3. Put civilian technicians back into civilian attire. Do not fund the military uniform requirement for civilian technicians.

4. Instruct the Defense Department that no agency funding is to be utilized in support of private organizations.

That completes my statement. I would like to take this opportunity to thank you and the members of this committee for your continued support of the National Guard and Reserves. I am prepared to answer any questions the committee may have.

WEDNESDAY, MAY 2, 1990.

THE INSTITUTE OF ELECTRICAL AND ELECTRONICS ENGINEERS

WITNESS

PAUL L. HAZAN, CHAIRMAN, DEFENSE R&D POLICY COMMITTEE, INSTITUTE OF ELECTRICAL AND ELECTRONICS ENGINEERS, U.S. ACTIVITIES

INTRODUCTION

Mr. MURTHA. The next witness is Mr. Paul Hazan with the Institute of Electrical and Electronics Engineers. Mr. Hazan.

STATEMENT OF MR. HAZAN

Mr. HAZAN. Mr. Chairman and Members of the committee, I appreciate the opportunity to appear before you today on behalf of the Institute of Electrical and Electronics Engineers, the IEEE-USA. The IEEE is the world's largest technical professional society, with nearly 240,000 members in the United States alone.

DUAL USE TECHNOLOGIES

In my testimony today, I would like to present the IEEE-USA's views on the growing importance of dual use technologies to the national security and economic competitiveness of the United States.

As you know, U.S. defense doctrine is based on the force multiplier concept, which in turn, relies on advanced technology to offset the superior numbers of potential adversaries. DOD is no longer the dominant customer it once was and it, therefore, is unable to drive product specifications in many critical technologies it requires—for example, nuclear radiation hardening of electronic circuit chips. Many DOD requirements and systems depend on the same basic technology used in commercial-consumer equipment—especially in electronic devices, computer hardware and software, including supercomputers, peripherals, materials, and manufacturing technology.

Leadership in several of these commercially driven critical technologies needed by the DOD is migrating, and in several cases, already resides overseas. Furthermore, this loss of U.S. technological leadership is increasing. Overseas sources of critical products may not be dependable in time of crisis.

Our conclusion, Mr. Chairman, is that a cost-effective national defense capability is linked to U.S. technological leadership, industrial competitiveness, and a healthy economic base. The rapidly changing global environment with the increasing emphasis on industrial competition and the concurrent imperative to get the maximum pay off from our defense expenditures underscore the importance of dual use technologies.

To successfully foster the development of dual use technology within the United States, we need to encourage and expand our investment to broaden and strengthen our technology base; encourage and facilitate the transfer of military technology into competi-

tively priced, high-quality commercial products by U.S. manufacturers; and develop increasing numbers of qualified young U.S. scientists, engineers, and skilled technicians.

RECOMMENDATIONS

Achievement of these objectives will assure continued availability of advanced technology for DOD needs. To accomplish these objectives, the IEEE-USA recommends a number of policy actions or reviews.

First, Congress should consider increasing and making permanent the tax credit for R&D investment to encourage greater risk taking, entrepreneurial enterprise, and long-range planning.

Second, Congress should consider creating a companion tax credit carry-forward of R&D investment to be written off against profits made from the sale of products which incorporate the technology developed under R&D. Such a carry-forward credit would encourage the utilization, i.e., transfer, of DOD and industrial technology into useful consumer products.

Third, Congress and the Administration should undertake several initiatives to develop our human resource base and promote research in science and engineering. This could include providing incentives to encourage larger numbers of qualified U.S. students to continue with their graduate studies. We are proposing "A National Defense Scholarship Program" which for a relatively modest investment would double the number of Ph.D. graduates in electrical engineering. Stimulating interaction among universities, industry, and Government research laboratories to promote joint awareness of critical and dual use technology issues and to influence curricula and research focus; and fourth, manufacturing technology is one specific area that requires increased R&D funding due to its critical relevance to dual use issues.

World class production capacity, including flexible manufacturing capabilities for cost-effective short production runs, should be viewed as key components in the national technology arsenal. This is vital to the global competitiveness of U.S. industry and to an optimized defense capability. Our recommendations include initiatives and suggestions to, increase and improve our human resource base; increase R&D tax incentives and investment strategy; synergize industry, Government, university, and national laboratories R&D; and achieve world class capability in manufacturing technology.

This concludes my prepared statement. Thank you again for the opportunity to appear before you today. I will be happy to answer any questions you may have.

Mr. MURTHA. Thank you very much.

The committee pretty well agrees with your suggestions. We are trying to make sure that research and development remains at high levels.

Mr. McDade.

Mr. MCDADE. No questions.

Thank you for an excellent statement.

[The statement of Mr. Hazan follows:]

STATEMENT BY

MR. PAUL L. HAZAN
CHAIRMAN
DEFENSE R&D POLICY COMMITTEE
INSTITUTE OF ELECTRICAL AND ELECTRONICS ENGINEERS -
UNITED STATES ACTIVITIES

BEFORE THE

HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON DEFENSE

MAY 2, 1990

Mr. Chairman, Members of the Subcommittee, my name is Paul Hazan, and I appear before you today as Chairman of the Defense Research and Development Policy Committee of the Institute of Electrical and Electronics Engineers-United States Activities (IEEE-USA). The IEEE is the world's largest technical professional society, with nearly 240,000 members in the United States alone. The Defense R&D Policy Committee was formed to develop and voice the IEEE-USA's views on the research and development programs and policies of the Department of Defense. In my testimony today, I would like to present the IEEE-USA's views on the growing importance of dual use technologies to the national security and economic competitiveness of the United States.

The U.S. Department of Defense (DoD) increasingly utilizes commercial products and processes to satisfy military needs.[1] This utilitization creates several real and potential problems for the DoD in meeting its special performance and logistical needs in a cost-effective manner (an issue of growing importance as the DoD budget decreases in real terms). Among these problems are:

- o suppliers of critical DoD products and services are increasingly found overseas and may not be dependable in time of crisis;[2]
- o DoD is no longer the dominant customer it once was and is increasingly less able to dictate product specifications. (e.g., nuclear radiation hardening of electronic circuit chips); and
- o the short, commercial life cycles of some product elements, particularly electronic devices, reduces the long term availability of these elements to support DoD logistical requirements.

DoD's growing dependence on foreign sources is due, at least partially, to the loss of U.S. technological competitiveness in the international marketplace. Moreover, the trends indicate that the situation will worsen unless policies are enacted to assist U.S.-based industry in regenerating a viable business base in the manufacture and sale of dual use commercial products and processes such as DRAM's, semiconductor processing machines, numerically-controlled machines, computer chips and floppy-disk drives. These policies are need to encourage and stimulate the development of U.S. technology in dual use areas and to encourage and stimulate the transfer of technology into commercial applications having a board and economically self-sustaining consumer base.

BACKGROUND

The problem discussed above results from a myriad of causes. These causes and their interrelationships are discussed in the Office of Technology Assessment's April 1989 report entitled Holding the Edge - Maintaining the Defense Technology Base wherein a number of options for congressional consideration are also presented.

Among the causes of lagging U.S. competitiveness are:

- the short range investment policy of U.S. industry (probably a result of both the short term view and consumption characteristic of our current culture as well as tax policies that favor short-range investments);
- the historical U.S. policy of minimal federal participation in commercial trade and industry under the U.S. laissez-faire approach to commerce (probably unique among the industrialized countries of the world)[3], and
- a widening gap between required workforce skills and the labor base capabilities being provided by a deficient U.S. educational system.[4]

The DoD problems might not arise in spite of the above if it were not for the fact that much of DoD equipment depends upon the same basic technology used in commercial/consumer equipment, particularly in such areas as electronic devices, computer hardware and software (including supercomputers), materials, and manufacturing technology. Yet the market place in those areas is commercially driven (i.e., the DoD is not a large enough buyer of these commodities to maintain a competitive, DoD unique industry) and much of the relevant manufacturing of these products is foreign owned and/or based.

The seriousness of this DoD issue is compounded by three related issues:

- DoD has special environmental and performance requirements for some of its equipment which either must be wiaved to use commercial products or a premium paid to incorporate special DoD features;
- dependence upon foreign produced items can be used as adverse political leverage in future U.S. negotiations with foreign governments;[5] and
- many U.S. firms that currently support both commercial and DoD needs are withdrawing from the DoD market due to the difficult and complex procurement procedures and increasingly stringent legal requirements.[6]

RECOMMENDATIONS

To successfully foster the development of dual use technology within the U.S., we must:

- o encourage and expand our investment to broaden our technology base;
- o encourage and enhance the transfer of military technology into competitively priced, high quality commercial products by U.S. manufacturers; and
- o develop increasing numbers of qualified young U.S. scientists, engineers and highly skilled technicians.

Achievement of these objectives will assure continued availability of advanced technology for DoD applications. To accomplish these objectives, the IEEE-USA recommends a number of policy actions or reviews:

First, Congress should increase and make permanent the tax credit for R&D investment to encourage greater risk taking, entrepreneurial enterprise and long-range planning.

Second, Congress should create a companion tax credit carry-forward of R&D investment to be written off against profits or licensing fees made from the sale of products which incorporate the technology developed under R&D efforts. Such a carry-forward credit should go far toward encouraging the utilization (i.e. transfer) of DoD and industrial technology into useful consumer products.

Third, Congress and the administration should undertake several initiatives to develop the human resource base and promote research in science and engineering:

- o assure that requirements for government grants to universities stress educational standards and staff expertise and excellence to regain our educational preeminence;
- o provide incentives to encourage larger numbers of qualified U.S. students to continue with their graduate studies (e.g., limited, post-graduation income tax deferrals);
- o identify a larger share of DoD and federal research dollars for university research efforts, with some of the appropriated DoD funds earmarked for scholarships to encourage U.S. citizens to pursue graduate studies;
- o tie university research grants to efforts in technologies identified as critical (such as the DoD Critical Technologies List); and

- o stimulate interaction among university staff, industry and government research laboratories to promote joint of critical technology issues and to influence curricula and laboratory research focus.

These actions will help to maintain and preserve the U.S. lead in basic science and engineering.

Another important aspect of this issue is the DoD's need for U.S. citizens to work on national security programs with high technology content. Expansion of a trained U.S. labor force will go far to satisfy this need and assure the availability of the necessary talent that DoD requires. Relevant to this need is the IEEE-USA's proposal for funding of National Defense Scholarships. We propose that the government annually provide full time, 3-year doctoral scholarships to approximately 500 qualified candidates. Qualifications for the scholarships would specify that each candidate meet requirements for full time employment in a classified national defense industry and that each candidate demonstrate a special interest in pursuing such work. This proposal would provide incentives at the national level to aid and encourage highly qualified U.S. engineers with experience or interest in national defense R&D to pursue graduate engineering study with full time vigor.

Fourth, manufacturing technology is one specific area that requires increased research funding due to its extreme relevance to the dual use problem. Manufacturing technologies must be well-positioned to assume the lead role as critical parts of any dual use technology effort. They provide the "enabling function" for the modernization of our factories and the foundation of our industry's achievement of world-class status. Manufacturing technology transitions R&D activities onto the production floor and enables the production of products with improved performance, on schedule, and at a competitive cost.

Manufacturing technology should be viewed as a key component in the national technology arsenal, a major force which improves the U.S. industrial base and leads to strengthened global competitiveness. As the next century approaches, the U.S. must recognize that world class manufacturing is critical and that manufacturing technologies must receive increased emphasis. As such, funding mechanisms in this area must allow for increased recovery of industrial investments since much of the research talent in this technology is industrial (rather than university) based.

ADDITIONAL CONCERNS

Finally, the IEEE-USA is concerned about two closely related and highly relevant issues whose complexity obviates any specific, concise recommendations at this time. However, we offer the collective resources of the IEEE-USA to assist in defining options and evaluating the related pro's and con's associated with these issues so that timely, cogent and effective governmental actions and policies can be determined and implemented.

- To develop effective federal policies for achieving a broader and more stable U.S. base of dual use technology, especially in the currently expanding multinational industrial world, consideration should be given to the distinction between "U.S.-based" industry versus "U.S.-owned" industry. In our view, both ownership and location are very important; their relevance to a solution to the dual use problem, individually and collectively, must be addressed and incorporated as appropriate into government policy.

- A skilled, educated, capable and U.S.-based labor force is a priority requirement for the U.S. to retain/regain its industrial leadership. We cannot create the technology, transfer it effectively or manufacture marketable products without such labor skills. Conversely, with such a labor base, technology and manufacturing will gravitate to the U.S. The basis for this labor pool is a sound and effective educational system, starting with the grade and secondary schools and continuing through graduate and post graduate university education. A specific recommendation has been made in this testimony to establish a National Defense Scholarship program to annually sponsor 500 U.S. doctoral students. Special initiatives by the defense community may be helpful in stimulating interest in science and technology at the high school level. These might include mentor programs, seminars, and summer employment opportunitites by the DoD laboratories. We encourage and solicit continued congressional efforts to improve the educational system which has lapsed into a state of disrepair, as has been abundantly documented in recent months.

This concludes my prepared statement. Thank you again for the opportunity to appear before you today. I will be happy to answer any questions you may have.

REFERENCES

1 Senator Bingaman (D-N.M.), Chairman of the Defense Industry and Technology Subcommittee of the Senate Armed Services Committee noted in a recent article that of the 22 DoD Critical Technologies, "...more than half...have military and civilian applications." Signal (February 1990).

2 "Many vital U.S. weapons are produced with foreign components...The Defense Science Board noted the Maverick, Sidewinder, Sparrow and ...(TOW missiles)... as prime examples." Signal (March 1990), p. 13. The same article noted a Joint Logistics Commander's report which reviewed thirteen U.S. defense systems and found foreign source dependencies in eight with severe production cutoff problems in six.

3 Note, for example, a recent quote by John Gibbons, Director, Office of Technology Assessment: "Almost alone among...developed country governments, the United States government continues to profess the belief that market mechanisms alone can identify and adequately support promising industries or technologies, with no need for any government contribution."

4 See, for example, the study America's Next Crisis: The Shortfall in Technical Manpower (September 1989) published by the Aerospace Education Foundation.

5 See, for example, a recent Japanese book entitled The Japan That Can Say No, written by Akio Morita, Chairman of the Sony Corporation, and Shintaro Ishihara, a novelist who has served in the Japanese Diet for 21 years, wherein it is noted that Japan could change the balance of military power by selling its electronic chips to the USSR instead of the U.S.

6 General John Whickham, Jr., USA (Ret.) reports that "...contractors are leaving the defense industry in droves. In 1982, more than 138,000 firms provided products to the Department of Defense (DOD), but the number shrank to less than 40,000 by 1987." Signal (February 1990) Prudential Bache has reported that more than 30 large defense electronics firms (with revenues in excess of $30 million) have been sold since 1987, several to non-U.S. buyers; and that, as of October 1989, at least 16 other were on the market.

WEDNESDAY, MAY 2, 1990.

AMERICAN INSTITUTE OF AERONAUTICS AND ASTRONAUTICS

WITNESS

CORT DUROCHER, EXECUTIVE DIRECTOR, AMERICAN INSTITUTE OF AERONAUTICS AND ASTRONAUTICS

INTRODUCTION

Mr. MURTHA. The next witness is Mr. Cort Durocher, with the American Institute of Aeronautics and Astronautics. Mr. Durocher.

STATEMENT OF MR. DUROCHER

Mr. DUROCHER. Mr. Chairman and members of the committee, on behalf of the American Institute of Aeronautics and Astronautics (AIAA), we thank you for the opportunity to appear today. We are a non-profit professional society of 43,000 members.

TECHNOLOGY BASE FUNDING

The opportunity to invest in our technological future, a consequence of the lessening of tensions with the Warsaw Pact, will keep us competitive by allowing us to prepare for future technological surprises.

We therefore recommend funding the technology base programs 6.1 and 6.2 at the requested $3.56 billion, which we believe is necessary until the tech base funding level reaches 15 percent of research, development, test and evaluation. We further recommend supporting the Administration's fiscal year 1991 funding request for programs at the 6.3A level, strong support of the National Aerospace Plane Technology Development, and developing and flight testing the four YF-22 and 23 Advanced Tactical Fighter prototypes.

We further recommend continued support for finishing the V-22 Osprey demonstration program and continuing pursuit of ALS technology to satisfy U.S. space-launch needs over a wide range of payloads, reliably and cost effectively, and thereby maintaining the U.S. position as a competitive and reliable supplier of space-launched systems. We recommend strengthening the propulsion R&D base program to include technologies applicable to post-advanced launch system launch systems.

INDEPENDENT RESEARCH AND DEVELOPMENT

We also propose allowing companies to allocate to Government their full share of actual independent research and development costs for reimbursement without a ceiling limitation.

In charting the course of proposed defense cuts, we also see a need to wind down defense spending in a deliberate way in order to impose the minimum stress on our military and industrial defense manpower. These people are some of the most talented, educated and creative in the country and should be valued as a national resource to be placed in civil positions where such talent is needed.

SUMMARY

We thank you for the opportunity to discuss our views on the fiscal year 1991 DOD budget proposal and the critical issue of the defense technology base during this time of reexamination of United States defense spending. We want to emphasize the importance of taking a long-term view of national security obligations and future threats.

Our Nation won the hot war. Now we have won the cold war. Now we must meet the economic challenges before us.

Thank you, Mr. Chairman.

Mr. MURTHA. Thank you very much for appearing before the committee.

Mr. McDade?

Thank you very much.

[The statement of Mr. Durocher follows:]

AIAA
American Institute of Aeronautics and Astronautics

STATEMENT TO

SUBCOMMITTEE ON DEFENSE

COMMITTEE ON APPROPRIATIONS

UNITED STATES HOUSE OF REPRESENTATIVES

BY

CORT DUROCHER
EXECUTIVE DIRECTOR
AMERICAN INSTITUTE OF AERONAUTICS AND ASTRONAUTICS

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Mr. Chairman and members of the committee, on behalf of the American Institute of Aeronautics and Astronautics (AIAA), we thank you for the opportunity to appear today.

The AIAA is a nonprofit professional society dedicated to advancing the arts, sciences, and technology of aeronautics and astronautics and promoting the professionalism of those engaged in these pursuits. We have a membership of over 43,000 drawn from all levels of American industry, academia, private research organizations, and government as well as from numerous nations abroad.

INTRODUCTION

As the military threat from Eastern Europe declines and U.S. deficit-reduction pressures mount, the defense budget faces significant cuts in FY91 and future years. In such an environment, it is more important than ever to spend our resources wisely to ensure the greatest defense for the dollar invested.

We believe the present environment calls for a greater investment in the defense science and technology budget. Historically, investment in science and technology has enabled us to do more with fewer resources, thereby increasing the productivity of our armed services. This trend will not change in the future; indeed, we will be even more dependent upon our technological prowess in the years ahead.

While the decline of our principal adversaries inspires many to believe that our defense budget may be reduced dramatically, we urge caution lest this optimism be carried too far and leave

us vulnerable. We must remember that it was our strength that contributed to the Soviet decline, forcing them to spend from 20% to 25% of their Gross National Product (GNP) on defense. Even with our own recent defense buildup, our FY91 defense budget figure represents only 5% of GNP.

We are also entering a period of great change in the technical capabilities of many nations around the world. While the Soviet Union has had great success in covertly acquiring our technology, improved relations may yield them even greater access to our technology, leading to a modernization of their forces and a closure of the gap between us. In addition, Third World countries are acquiring ever more sophisticated military equipment, adding a new dimension of complexity to the world scene.

We believe the lessening of tensions between our countries is very encouraging and we hope the trend continues. We also believe in prudence and do not encourage the precipitous dismantling of our defenses in a period of rapid change and uncertainty. Finally, we believe in the promise of technological innovation to keep us prepared, economically strong, and a leader in world affairs.

SUMMARY OF RECOMMENDATIONS

Maintaining our nation's readiness and technological competitiveness is vital to our national security. Investing in technology as we draw down military manpower in the spirit of reducing the budget is consistent with our strategy of relying on the technological superiority of our weapons as a "force

multiplier." The opportunity to invest in our technological future, a consequence of the lessening of tensions with the Warsaw Pact, will keep us competitive by allowing us to prepare for future technological surprises.

We therefore recommend:

o Funding the technology base (program levels 6.1 and 6.2) at $3,560 million. This represents 3% real annual growth (with 4% inflation), which we believe is necessary until the tech base funding level reaches 15% of RDT&E.

o Supporting the Administration's FY91 funding request of $2,122 million for programs at the 6.3A level (excluding SDI) so that technology can be brought to maturity and made available to DoD when it is needed.

o Providing greater funding for initial phases of research and development planning, and encouraging early efforts to develop the most efficient, well-planned, and cost-effective research program.

o Strong support of NASP technology development with continued support from government and industry.

o Developing and flight testing the four YF-22/23 ATF prototypes to the extent necessary for validating the airframe and propulsion technologies.

o Continuing development of the ATF materials, avionics, and systems technology, independently of any production and deployment decisions.

o Supporting, as a minimum, a full B-2 bomber flight test and demonstration program that allows all vehicle dynamics and systems performance to be tested and evaluated.

o Continued support for finishing the V-22 Osprey demonstration program so that we have the capability to apply the technologies in future systems.

o Continuing pursuit of ALS technology to satisfy U.S. space launch needs over a wide range of payloads reliably and cost-effectively, and thereby maintaining the U.S. position as a competitive and reliable supplier of space launch services.

o Strengthening the propulsion R&D base program to include technologies applicable to post-ALS launch systems.

o Developing TACSATS, along with commensurate launch and support systems with a steady level of support.

o Using the Critical Technology Plan to start developing a balanced, long-term national technology program.

o Fully supporting the $98 million proposed by the Administration for furding the University Research Initiative and encouraging broader participation in the program.

o Allowing companies to allocate to government their full share of actual IR&D costs for reimbursement without a ceiling limitation.

IMPORTANCE OF DEFENSE TECHNOLOGY BASE RESEARCH

Defense research is the building block for many technological advances that strengthen our national security through defense applications, and indirectly by contributing to building a strong economic base for the U.S. For example, composite materials with potential applications for commercial aircraft and automobiles were developed for military use; launch systems which now put commercial satellites into space were originally developed for long-range ballistic missiles; the army operated the first computer in 1945; work started by the Defense Advanced Research Projects Agency (DARPA) contributed heavily to the personal computer industry--the mouse, graphics, compilers; and military contracts spurred the electronics industry that now contributes components to countless commercial products.

The global balance of power is shifting from strength based on military might toward nations with overall superior technological capability. Advancing the technology being explored today to a level suitable for weapons systems applications may take 10 to 15 years. It is often difficult to

forecast the eventual military applications of research and technology programs; we are always uncertain about what kinds of threats we will be facing in the future. Nevertheless, we know that if we allow our technology base to lag, we will be unable to counter developing threats, whatever their nature.

TECHNOLOGY BASE FUNDING TRENDS

Funding for the technology base is in constant jeopardy. In fact, the DoD tech base (6.1 and 6.2) investment has lost about 9.5% percent (assuming 4% inflation) between FY89 and FY91, a proportionally larger decline than the corresponding percentage decreases for the overall defense budget. This decline is compounded by the fact that money for R&D does not go as far as it used to: according to Dr. Charles M. Herzfeld, DoD Director of Defense Research and Engineering, the increase in the R&D price index is about twice the increase in the Consumer Price Index (CPI). Therefore, technology-base funding must increase twice as fast as the CPI just to stay even; but tech base funding is still declining. In the FY89 budget, the percentage devoted to the tech base was 9.1% of the total R&D budget; in the FY91 budget it is 8.8%. In 1965 it had been almost 25%.*

We therefore recommend:

o Funding the technology base (research and exploratory development -- 6.1 and 6.2) at $3,560 million. This represents 3% real annual growth (with 4% inflation), which we ~~believe~~ is necessary until the tech base funding level reaches 15% of RDT&E. Although this is significantly lower than the 25% of the mid-1960s, it is a reasonable funding allocation, given the current budget situation.

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* SDI research funds are not included in any of these figures.

IMPORTANCE OF TECHNOLOGY DEMONSTRATORS

Technology demonstrators validate technologies that have high risk and high payoff for either civilian or military users. In addition, technology demonstrators help to maintain engineering skills and teams. The process of technology validation can keep the skills of designers and analysts sharpened while permitting manufacturing teams to develop new tooling and processes. The imposition of strict performance requirements on systems and subsystems furthers the maturation process and identifies technical risks early in the development process.

Because the costs of developing technology demonstrators are so high, it is difficult for corporations to validate high risk, high payoff technologies independently. The federal government, through its technology demonstrator programs, serves as a technology risk underwriter and partially absorbs the cost and risk burdens. Without government funding in this activity, many potential, but unvalidated, technology improvements would not be incorporated into programs by industry.

Nevertheless, one of the principal advantages of technology demonstrators is their relatively low cost when compared to total life-cycle costs of fielded systems. Historically, demonstrators have cost about three percent of the life-cycle cost of a full production program. A technology demonstrator allows early definition of technical risk and enables early identification of a proposed concept's feasibility and desirability at a low cost.

Examples of technology demonstrator programs that led to fully operational weapon systems are the F-16 and the F-18.

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Developed originally as the YF-16 and the YF-17 for the Lightweight Fighter (LWF) technology demonstrator program, these aircraft were designed and built to demonstrate the ability to meet the requirement for a lightweight, capable fighter aircraft. Though originally designed as demonstrators, these aircraft now serve as frontline fighters.

Additionally, X-aircraft programs demonstrate promising technologies without placing program constraints on the research. Such demonstrator programs are not designed to result in an airplane immediately. For example, the X-29 demonstrated technology in materials and digital electronic control systems. These technologies will be useful for future airplane designs.

Only by building technology demonstrators and exploring applications of the new technologies (6.3A) can the potential utility of the technology for weapons systems be measured. We urge government to continue a vigorous 6.3A technology demonstrator program. Government must continue its responsibility for determining technology feasibility in the defense arena. Industries' shrinking R&D funds constrain their efforts already; for example, aerospace industry investment in R&D declined for the first time ever last year. In this climate, industry cannot afford to bring research to a level of applicability suitable for weapons systems.

We therefore recommend:

o Supporting the Administration's FY91 funding request of $2,122 million for programs at the 6.3A level (excluding SDI) so that technology can be brought to maturity and made available to DoD when it is needed. This level should be adequate to eliminate the historical temptation to "raid" funds from 6.1 and 6.2 budgets to fund advanced technology development

programs.

DEVELOPMENT PLANNING

Development planning identifies operational needs and steers development of emerging technologies toward applications to operational capabilities and processes. Currently, advanced development planning is a critically under-funded bridge between technology development and technology applications. It is essential that development planning be recognized as a vital part of the systems acquisition process.

We therefore recommend:

o Providing greater funding for initial phases of research and development planning, and encouraging early efforts to develop the most efficient, well-planned, and cost-effective research program.

TECHNOLOGY-PRODUCING DOD ACTIVITIES

Certain areas of the defense budget are especially important for strengthening our national security in the years ahead, both economically and militarily, due to their potential contributions to the technology base:

National Aerospace Plane

National Aerospace Plane (NASP) technology development has tremendous potential for enhancing both U.S. competitive economic standing and national security. Critical and supporting technologies have been managed by Air Force and NASA labs, and the NASP Joint Program Office has formed an unprecedented consortium of industry, government, and academia to conduct research on high-temperature materials and share the fruits of that research.

NASP technologies are exceptionally promising for future aerospace operations. The potential of NASP technology development will help to meet the needs of future space vehicles and high-speed aircraft, both civil and military.

We therefore recommend:

- o Strong support of NASP technology development with continued joint management by DoD and NASA and with substantial help from industry to preserve the continuity and integrity of the program.

Advanced Tactical Fighter

The Advanced Tactical Fighter (ATF) program is seeking to develop a next-generation air-superiority fighter, employing low-observable technology to enhance the aircraft's operational success and survivability. The program is leading to the development of common, modular avionics which can be used in the Navy's Advanced Tactical Aircraft program and in other aerospace systems as well. In addition, the Air Force has funded the development of an advanced thrust-vectoring engine called the Advanced Tactical Fighter Engine (ATFE), which promises to offer improved performance and two-dimensional thrust-vectoring nozzles.

The ATF program is valuable both for maintaining a strong technology base and for enhancing conventional force strength throughout the world to offset troop reductions. A Demonstration/Validation (Dem/Val) program funded jointly by the U.S. Air Force and by competing industrial teams includes advanced air vehicle, avionics, materials, and propulsion technologies and will significantly reduce the technical risks before Full-Scale Development (FSD) begins. Although production

and eventual deployment decisions for ATF aircraft will be made later by you in government, we remind you that ATF-related technologies will help fulfill future military requirements, and the demonstration and validation of these technologies will further improve technology readiness.

We therefore recommend:

o Developing and flight testing the four YF-22/23 ATF prototypes to the extent necessary for validating the airframe and propulsion technologies.

o Continuing development of the ATF materials, avionics, and systems technology, independently of any production and deployment decisions.

B-2 Advanced Technology Bomber

The B-2 is a significant technology development effort that will lead to a low-observable bomber, and also represents a significant leap forward in computer-aided design and manufacturing. However, we are well aware that procurement of the B-2 is a significant financial and technical investment by the United States, and that procurement decisions belong to those in government. The B-2 program embodies many advanced technologies that have long-term applications. The use of advanced composites, low-observables, advanced digital avionics, and active flight control systems represents current state-of-the-art and can be applied to other future weapons systems.

We therefore recommend:

o Supporting, as a minimum, a full B-2 bomber flight test and demonstration program that allows all vehicle dynamics and systems performance to be tested and evaluated.

V-22 Osprey

The V-22 Osprey program is exploring the flight envelope in the transitional stages from horizontal to vertical flight. The V-22 is also unique in its near-total reliance on composite materials. In addition to their significant and well-recognized implications to future tactical defense capability, the V-22 technology and knowledge base could revolutionize the civil short-haul aviation industry and significantly reduce airport congestion. Hence we believe that pressures to terminate this program from solely financial considerations should be resisted, and that program decisions should be made on the basis of potential national -- military, civil, and economic -- benefits.

We therefore recommend:

- Continued support for finishing the V-22 Osprey demonstration program so that we have the capability to apply the technologies in future systems.

Advanced Launch System and Technologies

Our nation's access to space relies in large part on launch vehicles of the 1950s and 1960s. Today's launch vehicles, while generally supportive of our near-term needs, are relatively expensive to operate and do not provide the level of responsiveness we desire for the future.

The purpose of the Advanced Launch System (ALS) program is to develop concepts and technologies aimed at providing more affordable, responsive, reliable, and flexible access to space across a wide range of payloads. Moreover, as with the V-22, there are significant civil and commercial launch requirements which would be well served by the objectives of the ALS program.

For instance, the ALS family of vehicles could be the basic core to fulfill space transportation needs for the Space Exploration Initiative (SEI), which DoD will be participating in with NASA in the future. Hence we believe Congress should recognize the overall national requirement for this system, and base its funding decisions on those needs as well as on national security missions. Looking beyond the ALS, there is an urgent need to continue to develop a propulsion technology base in advance of requirements for current programs.

We therefore recommend:

- Continuing pursuit of ALS technology to satisfy U.S. space launch needs over a wide range of payloads reliably and cost-effectively, and thereby maintaining the U.S. position as a competitive and reliable supplier of space launch services.

- Strengthening the propulsion R&D base program to include technologies applicable to post-ALS launch systems.

Small Satellites

Small satellite programs, such as the DARPA LIGHTSAT program, are developing smaller, low-cost satellite systems. These satellites offer opportunities for performing high-risk experiments, conducting engineering development and testing of satellite systems, training young engineers and scientists, and carrying out a number of military applications.

Many military space missions demand sophisticated satellites. These are necessarily costly, few in number, and present potentially tempting high-value targets in time of war. Smaller, less sophisticated satellites (TACSATS) could provide added flexibility and survivability, conceivably at lower cost,

because they allow a greater proliferation of on-orbit assets and because new satellites can be launched in time of conflict, rapidly restoring minimum military operations.

Potential military applications for smaller satellites include communications, remote imaging, intelligence gathering, and data relay for oceanographic and weather buoys. Reconnaissance TACSATS could also augment airborne systems. TACSATS could be launched from mobile, survivable launchers, including aircraft, and could become operational shortly after launch.

In this era of constrained budgets, smaller, lower-cost satellite systems are attractive because they do not require major technical breakthroughs or large expenditures of funds. The military would also benefit from the development of a smaller, responsive launcher. Funding for small satellites and their support systems is sporadic at best and often consists of whatever is left after major programs have been funded. Small satellites may offer benefits to the nation's space endeavors that far exceed their costs.

We therefore recommend:

- Developing TACSATS, along with commensurate launch and support systems with a steady level of support.

Critical Technology Plan

The Department of Defense has identified twenty "critical" technologies in its Critical Technology Plan.

While the immediate commercial payoff of a particular technology may appear to be only marginal, the national security

payoff often makes the research risk acceptable. For example, the U.S. once led the globe in structures and materials technology. Now our world leadership in composite materials is rapidly declining. In November 1989, DoD and industry officials identified other nations' composites technology as the largest foreign threat to the United States' aerospace industry. Foreign efforts in this technology are advancing so substantially that within five years "the composites manufacturing and machining advances developed for the B-2 and Advanced Tactical Fighter could be matched [overseas]," say DoD and industry experts.

We urge Congress to create an environment that encourages industry to pursue these critical technologies. The Critical Technology Plan can be used to bring them to maturity and make them available to DoD when necessary. Relaxing government regulations is especially important for encouraging high-risk R&D activities and encourages joint DoD/industry participation in R&D.

We therefore recommend:

- Using the Critical Technology Plan to start developing a balanced, long-term national technology program. The annual critical technologies list could be used with other critical technology plans to assist funding decisions.

University Research Initiative

The United States educational system is producing fewer scientists and engineers each year; current estimates say we will have at least 500,000 fewer than we need by the year 2010. This shortage threatens our future ability to compete technologically.

University laboratories perform a substantial portion of the basic and applied research conducted in the United States, including much work on what the Pentagon labels "critical technologies." In FY88, universities conducted approximately 20% of technology-base research -- basic research, applied research, and exploratory technology development. The DoD funds only about 8% of total university research funding yet has access to most of it. In light of this, the Defense Department has contributed funds to create university "centers of learning excellence" in selected disciplines to promote basic research in superior universities. This program is an essential part of the technology base.

We applaud DoD's funding of these "centers of learning excellence" under the University Research Initiative, and encourage a greater investment in this segment of our technology base. The centers provide an opportunity for hands-on experience, using the latest in tools and equipment, while encouraging students to pursue scientific disciplines. Such a program has a double payoff to the nation: the universities conduct valuable basic research while simultaneously training future technical talent, thus ensuring a future supply of scientists and engineers.

We therefore recommend:

- Fully supporting the $98 million proposed by the Administration for funding the University Research Initiative and encouraging broader participation in the program.

Independent Research and Development

Independent Research & Development (IR&D) performed by

industry fosters the pursuit of new ideas, is a valuable source of innovation, and helps to preserve technological leadership and competitiveness in industry. For example, while the DoD was funding the development of composite jet engine turbine blades, General Electric and Pratt & Whitney developed on their own the superior single-crystal turbine blade that is now used in the most advanced jet engines.

IR&D is not directly funded by government. It is paid for by contractors and allocated proportionally to all customers, including the government, as part of overhead costs; but the government imposes a ceiling limiting the amount of IR&D costs allocable in contract pricing. IR&D is essential for a company to remain viable in the defense industry. That same need to be competitive within industry also is a natural restraint to ensure that companies do not overspend on IR&D. Current IR&D rules increase the financial burden on companies by not allowing them full government reimbursement for their defense-related IR&D expenditures. Before Public Law 91-441, which controls IR&D and Bid and Proposal (B&P) funds, was passed in 1971, the government recognized IR&D as a legitimate cost of doing business and reimbursed 100% of allocable costs. As recently as the 1970s, allocable IR&D costs were reimbursed at rates as high as 85%. IR&D reimbursement has currently plateaued around 70%.

As a result, industry is subsidizing government to provide the most technologically advanced products. It can no longer afford to do so, and is thus losing its technological leadership. A survey of ten aerospace firms' company-sponsored R&D expenditures found that the companies spent 23% more on R&D than

was negotiated for reimbursement through indirect costs on government contracts. Of the $4.36 billion spent on R&D by the ten companies in 1988, $2.15 billion came from indirect costs in government contracts, leaving $2.22 billion that was covered by profit or other cash resources of the companies. The aerospace industry, which is currently experiencing a financially difficult period, cannot continue to invest such large amounts in R&D unless a number of government policy changes are made, including eliminating or significantly increasing government ceilings on cost-reimbursed R&D.

IR&D reimbursement by government used to be allowed to the extent that it was determined reasonable and allocable. The cost of research was allocated to all work of a contractor, and the cost of development was allocated to the product line to which it applied. The Government Procurement Commission recommended that government: "Recognize in cost allowability principles that IR&D and B&P expenditures are in the Nation's best interests to promote competition (both domestically and internationally), to advance technology, and to foster economic growth. Establish a policy recognizing IR&D and B&P efforts as necessary costs of doing business."

We therefore recommend:

- Allowing companies to allocate to government their full share of actual IR&D costs for reimbursement without a ceiling limitation. We urge that IR&D be recognized as a legitimate cost of doing business, and that the administrative and review processes be streamlined to maximize the results of IR&D efforts.

CONCLUSION

We thank you for the opportunity to discuss our views on the FY91 Department of Defense budget proposal and the critical issue of the defense technology base with you this morning. During this time of re-examination of United States defense spending, we want to emphasize the importance of taking a long-term view of national security obligations and future threats. Essential to this long-term view is increasing funding for the technology base. We must also follow through on tech base research by taking technologies through the technology demonstrator phase so that the military applicability of technologies can be measured for incorporation into future weapon systems. Taking these steps with technology programs such as those we discussed this morning will help to maintain the vanguard position of our defense technology.

WEDNESDAY, MAY 2, 1990.

UNIVERSITY RESEARCH INITIATIVE

WITNESS

ROBERT LANGRIDGE, UNIVERSITY OF CALIFORNIA, SAN FRANCISCO

INTRODUCTION

Mr. MURTHA. Our next witness is Mr. Robert Langridge, with the University of California.

STATEMENT OF MR. LANGRIDGE

Mr. LANGRIDGE. I thank you for the opportunity to testify before you. I am here today to speak on behalf of the Defense Advanced Research Projects Agency, DARPA, and in particular on behalf of their University Research Initiative.

DEFENSE ADVANCED RESEARCH PROJECTS AGENCY

DARPA is well known and has been strongly supported by this committee for its work in initiating new technologies, for example, in electronics and data communication. I would like to give an example of work which was a little surprising that came out of this DARPA program. In 1964, I was at Harvard and working at the Children's Cancer Research Foundation on DNA and its relationship to cancer. This involved a great deal of computation and the construction of rather large molecular models of wire and plastic. A friend of mine at MIT told me they had a computer to drive a three-dimensional display that you could control interactively, funded by DARPA. They had no idea of the relevance of this to molecular biology. We went over to use the system and thus began the whole field of molecular graphics which is now in use throughout the world.

As a further spinoff, three-dimensional graphics systems are dominated by United States companies from both coasts and Utah. Another spinoff was at the National Institute of Health. The present Acting Director Dr. William Raub, saw what we were doing and a couple of years later persuaded the NIH to fund this kind of work, so another spinoff in yet another of the Government programs.

UNIVERSITY RESEARCH

Coming forward to 1986 when the DARPA University Research Initiative began, it was an interdisciplinary program in all fields of science and engineering, but one of them was an attempt to design new materials. We come at it from a different direction. We wish to understand the human genetic code and how it produces proteins which do very specific things. If you look at it from the other end, you decide there are very specific things you would like to do—could you design a structure, a protein with specific properties, by the same techniques using the same computers? There were over a thousand applicants, only eight percent of them were funded by the DARPA University Research Initiative and one was to our

group at the University of California, San Francisco. In the last three years, we have made very great progress in the ability to design new systems based on our knowledge of proteins.

Yet another spinoff has enabled us to develop much more rational and effective methods of designing new drugs, not only for the things you would expect, but most recently we have made great progress in designing an inhibitor for one of the proteins produced by the HIV-1 virus. Again, the spinoffs are totally unexpected, not the kind of things you would necessarily expect from DARPA.

SUMMARY

To summarize, over the last 25 years, DARPA has been, I think, one of the most effective agencies of the Federal Government in supporting very farsighted research looking ten, twenty years down the road. It is, as you know, in some jeopardy at the moment. The dismissal of the director, I think, is most unfortunate. He is a most effective man, one of the best public servants. He has been at DARPA for sixteen years. The University Research Initiative is funded at $95 million and I think every dollar spent has been very effectively used. It deserves, I believe, strong and continued support, and although I can't predict all the spinoffs, I think the history has been a very good one.

Mr. MURTHA. Do you have any insights in what happened in the Defense Department? The official information I have is that he went to a new job which he was eagerly looking forward to. Do you have any different information from that?

Mr. LANGRIDGE. I would say that is exactly the opposite of the correct situation.

He spoke before us at the Computer Science Board of the National Research Council National Academy of Sciences meeting about two months before he was dismissed and his enthusiasm, excitement and hard work came through marvelously. I think it is a great shame.

Mr. MURTHA. I expressed my concern to the Secretary personally because he really did realize the importance of military research and the civilian spinoffs and I think it is so important to the United States to be able to stay in front in this field.

Thank you very much. We appreciate you coming before the committee.

The committee will now adjourn until 1:30 p.m. this afternoon.

Thank you all.

[CLERK'S NOTE.—Mr. Langridge did not submit a statement for the record.]

AFTERNOON SESSION

WEDNESDAY, MAY 2, 1990.

AMERICAN ACADEMY OF OTOLARYNGOLOGY—HEAD AND NECK SURGERY, INC.

WITNESS

AINA JULIANNA GULYA, M.D., THE AMERICAN ACADEMY OF OTOLARYNGOLOGY-HEAD AND NECK SURGERY, INC.

INTRODUCTION

Mr. MURTHA. The committee will come to order.

As I always advise our witnesses, we have a five-minute rule in the House. Yesterday on the overall budget, I was limited to five minutes. Of course all of you know we will ask each of you to limit yourself to five minutes, and we will put your complete statements in the record.

Congressman Pickle was going to be here, but we will start without him and when he comes we will fit him in. We will have Dr. Aina Gulya first, please.

STATEMENT OF DR. GULYA

Dr. GULYA. Thank you, sir.

Mr. Chairman and Members of the committee, I am Aina Julianna Gulya, M.D., a practicing otolaryngologist here in the Washington, D.C., area, and I also serve on the faculty of Georgetown University. I am here today as a representative of the American Academy of Otolaryngology-Head and Neck Surgery, whose membership of 9,200 comprises 92 percent of all board-certified otolaryngologists.

The specialty of otolaryngology-head and neck surgery encompasses surgeons whose expertise involves management of disorders of hearing, balance, the facial nerves, the nose, and facial bones, as well as benign and malignant disorders of the mouth, trachea, larynx, thyroid and esophagus.

OTOLARYNGOLOGY RESEARCH IN DOD

Last year I appeared before this committee to express the concern of the American Academy of Otolaryngology-Head and Neck Surgery regarding the coordination of otolaryngology-related research among the several Federal agencies which support such research. Our major interest revolved about the degree to which otolaryngology-related research funded by the Department of Defense may be duplicated, unknowingly, by other Federal agencies.

As a result of this testimony, language was included in the DOD Appropriations Act of 1990 which stated that the DOD "cooperate with the American Academy of Otolaryngology-Head and Neck Surgery in their planned review of Federal research programs in fiscal year 1990." My testimony today relates the progress made in achieving that goal.

Let me first thank, on behalf of the academy, those individuals who have been particularly helpful in our pursuit of better under-

standing the manner in which the DOD branches coordinate and publicize their non-classified, biomedical research efforts. They are Colonel Rodney Atask, Colonel Evans, Colonel Roy Sedge, and Captain David Uddin.

DUPLICATION IN RESEARCH

The agencies of DOD, particularly the Army, Navy and Air Force, have established several means to avoid overlap and/or duplication in the research efforts which they sponsor. The Defense Technical Information Center is a component of the DOD scientific and technical information program, and consists of a data base, accessed by key words, which provides information regarding the type of research being done, by whom, for what time period, and at what level of funding. Only subscribers may access this information, but the NTIS is a vehicle for the release of unclassified/unlimited technical reports/bibliographies to the general public.

Another avenue is the CIRS data base; in this data base, the U.S. Army Clinical Investigation Program provides information regarding clinical research which is in support of graduate medical education programs.

A third means of avoiding research overlap/duplication among the various DOD services is the Joint Technology Coordinating Group for Human Systems Technology. This group meets on a quarterly basis and reviews all current research in the involved defense agencies, with a particular view towards six thrust areas.

We conclude that there is relatively little overlap in funded research among the major branches of the military; however, many other government agencies are "out of the loop", or at least are not specifically included in the DOD procedures, such as the Veterans' Administration, the National Institute for Deafness and other Communication Disorders, as well as many other NIH agencies, non-NIH agencies and other Federal granting agencies.

The Academy has run a DTIC search which utilized a few select key words to evaluate the quantity and quality of information which the search provides. We are currently reviewing the results in our "run" of the key words "air blast in ears," "blast pathology," "barotrauma," and "eardrum rupture."

As a result of these efforts, we will propose that otolaryngology-related research sponsored by DOD, and non- DOD government agencies be collected in the NIDCD information clearing house in order to ensure participation of all appropriate Federal agencies "in the loop" of shared information.

The greater spread of knowledge relating to the goals of DOD research and the greater competition for DOD research dollars will result, hopefully, in a better quality of investigator-investigation the DOD obtains for its monetary investment. Also, non-military implications of military-related research could be disseminated more quickly to researchers and the public through such an information clearing house.

The magnitude of work required to assemble such a research data base will be considerable, for each of the Federal agencies has a different system for categorizing their investigative efforts. We propose to run an attempt to coordinate all research currently on-

going in one restricted field, namely blast injury. In this manner we hope to assess the feasibility, as well as the resources necessary, to compile a data base which includes all otolaryngology-related research. We hope that we will have our report ready for presentation for the next year's hearings of this committee.

Thank you for giving me the opportunity to testify before this committee, and I shall be pleased to answer any questions you may have.

Mr. MURTHA. Thank you very much, Doctor. I don't have any questions, but we appreciate your update and we will be glad to help in any way we can.

Thank you very much.

[The statement of Dr. Gulya follows:]

THE AMERICAN ACADEMY OF OTOLARYNGOLOGY—HEAD AND NECK SURGERY, INC.

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REPRESENTING

THE AMERICAN ACADEMY OF OTOLARYNGOLOGY-HEAD AND NECK SURGERY, INC.

BEFORE THE

SUBCOMMITTEE ON DEFENSE

OF THE

HOUSE APPROPRIATIONS COMMITTEE

MAY 2, 1990

CAPITOL H-140

1:30 PM

Mr. Chairman and members of the Subcommittee, I am Aina Julianna Gulya, MD, a practicing otolaryngologist here in the Washington, DC area, and I also serve on the faculty of Georgetown University. I am here today as a representative of the American Academy of Otolaryngology--Head & Neck Surgery whose membership of 9,200 comprises 96% of all board-certified otolaryngologists.

The specialty of Otolaryngology--Head & Neck Surgery encompasses surgeons whose expertise involves management of disorders of hearing, balance, the facial nerves, the nose, and facial bones, as well as benign and malignant disorders of the mouth, trachea, larynx, thyroid, and esophagus.

Last year I appeared before this committee to express the concern of the American Academy of Otolaryngology--Head & Neck Surgery regarding the coordination of otolaryngology-related research among the several federal agencies which support such research. Our major interest revolved about the degree to which otolaryngology-related research funded by the Department of Defense (DoD) may be duplicated (unknowingly) by other federal agencies.

As a result of this testimony, bill report language was included in the DoD Appropriations Act of 1990 which stated that the DoD "cooperate with the American Academy of Otolaryngology--Head & Neck Surgery in their planned review of federal research programs in fiscal year 1990." My testimony today relates the progress made in achieving that goal.

Let me first thank, on the behalf of the Academy, those individuals who have been particularly helpful in our pursuit of better understanding the manner in which the DoD branches coordinate and publicize their non-classified, biomedical research efforts. They are: Col. Rodney Atack (Director of the Audiology and Speech Center, Walter Reed Army Medical Center), Col. Evans (AMED liaison to Congress), Col. Roy Sedge (Director of the Army Systems Hazards Research Program), and Capt. David Uddin (Director of Scientific Affairs, Office of the Assistant Secretary of Defense for Health Affairs).

The agencies of the DoD, particularly the Army, Navy and Air Force, have established several means to avoid overlap and/or duplication in the research efforts which they sponsor. The DTIC (Defense Technical Information Center) is a component of the DoD scientific and technical information program, and consists of a data base, accessed by key words, which provides information regarding the type of research being done, by whom, for what time period, and at what level of funding. Only subscribers may access this information, but the NTIS (National Technical Information Service) is a vehicle for the release of unclassified/unlimited technical reports/bibliographies to the general public. Some applications for defense research funds specifically question whether or not a DTIC search has been done; this requirement is most consistent with a sincere effort to avoid unnecessary duplication of effort.

Another avenue is the CIRS data base; in this data base, the (US Army) Clinical Investigation Program provides information

regarding clinical research which is in support of Graduate Medical Education Programs.

A third means of avoiding research overlap/duplication among the various DoD services is the Joint Technology Coordinating Group for Human Systems Technology (an arm of the Armed Services Biomedical Research Evaluation and Management Committee); this group meets on a quarterly basis, and reviews all current research in the involved defense agencies, with a particular view towards six thrust areas.

We conclude that there is relatively little overlap in funded research among the major branches of the military; however, many other government agencies are "out of the loop", or at least are not specifically included in the DoD procedures, such as the Veteran's Administration, the National Institute for Deafness and other Communication Disorders (NIDCD), as well as many other NIH agencies, non-NIH agencies, and other federal granting agencies.

The Academy has run a DTIC search which utilized a few select "key words" to evaluate the quantity and quality of information which the search provides. We are currently reviewing the results of our "run" of the key words "air blast in ears", "blast pathology", "barotrauma", and "eardrum rupture".

As a result of these efforts we will propose that otolaryngology-related research sponsored by DoD and non-DoD government agencies be collected in the NIDCD information "Clearing House" (part of the mandate of the NIDCD is to establish such an information clearing house), in order to ensure

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participation of all appropriate federal agencies "in the loop" of shared information. The greater spread of knowledge relating to the goals of DoD research and the greater competition for DoD research dollars will result, hopefully, in a better quality of investigator/investigation the DoD obtains for its monetary investment. Also, non-military implications of military-related research could be disseminated more quickly to researchers and the public through such an information clearing house.

The magnitude of work required to assemble such a research data base will be considerable, for each of the federal agencies has a different system for categorizing their investigative efforts. We propose to run, almost in a pilot project manner, an attempt to coordinate all research currently ongoing in one restricted field, namely, blast injury. In this manner we hope to assess the feasibility, as well as the resources necessary, to compile a data base which includes all otolaryngology-related research. We hope that we will have our report ready for presentation for the next year's hearings of this committee.

Thank you for giving me the opportunity to testify before this committee and I shall be pleased to answer any questions you may have.

WEDNESDAY, MAY 2, 1990.

SEMICONDUCTOR MANUFACTURING TECHNOLOGY

WITNESS

HON. J.J. PICKLE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

INTRODUCTION

Mr. MURTHA. Next we will have the Hon. Jake Pickle, the distinguished Member of Congress from the great State of Texas. If there is anything left in the budget when he is done, we will try to get it for the rest of the country.

STATEMENT OF CONGRESSMAN PICKLE

Mr. PICKLE. I thank you for the privilege to appear before your distinguished committee, and I would ask permission that my entire statement be made a part of the record.

Mr. MURTHA. Without objection.

Mr. PICKLE. This is the third time I have appeared before this committee to ask for the continuation of funding for the SEMATECH program located in Austin, Texas.

Let me review the fact that 14 different companies formed to make SEMATECH. It might be of interest to the committee to repeat who they are: AMD, AT&T, Digital Equipment, Harris, Hewlett-Packard, Intel, IBM, LSI Logic, Micron, Motorola, National Semiconductor, NCR, Rockwell, and Texas Instruments. Now, Mr. Chairman, those companies represent 80 percent of our nation's semiconductor production base and they represent easily 700,000 American jobs. So the program is intensely important to the United States.

We formed the organization because the Defense Science Board recommended the formation of such a group and volunteered to match the Federal money with the money put up by the industry. Consequently we put up $100 million each, $100 million from industry, and $100 million from DOD. It was originally recommended by the Science Defense Board.

Now, the question is, can we maintain this same level of funding? I appear today to ask for that continuation.

I want to thank the Chairman of the committee for personally coming to Austin and the distinguished gentleman from North Carolina, for coming to Austin to see SEMATECH. It is functioning well. We have had five governmental agencies review it and inspect operations, and they have given us favorable reports.

I am inserting comments of other organizations that have visited there. We think that we have a very successful operation and worthy of continuation.

One more point. Originally the DOD said we should put in money because Japan has captured the semiconductor chip industry because they could subsidize and promote their business and protect it and they dumped goods on the market. We were almost out of the chip business. We have gotten into it by pooling our re-

sources. Companies who belong to it say they are very happy with it, pleased to be putting their people there. They are putting in the best scientists they have so we think we have a successful operation and although it was started as a defense approach, we have to be reminded today that the electronic industry, the semiconductor business has a great payroll and means more to the country than steel and aerospace and the automobile industry put together. So we ask for continuation of it.

The third year passed, we are asking for funding for the fourth year. We have next year and one more to go. We are doing well and we ask for your support.

[The statement of Mr. Pickle follows:]

STATEMENT OF
CONGRESSMAN J. J. PICKLE
BEFORE THE
HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON DEFENSE

MAY 1, 1990

MR. CHAIRMAN, DISTINGUISHED MEMBERS OF THE COMMITTEE I THANK YOU FOR THE OPPORTUNITY TO APPEAR TODAY TO EXPRESS MY SUPPORT FOR $100 MILLION IN FY 1991 FUNDING FOR THE SEMICONDUCTOR MANUFACTURING CONSORTIUM KNOWN AS SEMATECH.

SEMATECH'S MISSION IS TO RESTORE MANUFACTURING LEADERSHIP TO THE FOURTEEN AMERICAN COMPANIES (AMD, AT&T, Digital Equipment, Harris, Hewlett-Packard, Intel, IBM, LSI Logic, Micron, Motorola, National Semiconductor, NCR, Rockwell, and Texas Instruments), WHICH REPRESENT 80 PERCENT OF OUR NATION'S SEMICONDUCTOR PRODUCTION BASE AND MORE THAN 700,000 AMERICAN JOBS. THESE COMPANIES ARE INVESTING THEIR HARD-EARNED DOLLARS TO MATCH FEDERAL MONIES IN THE PURSUIT OF SEMATECH'S NATIONAL MISSION. MORE IMPORTANTLY, THESE AMERICAN COMPANIES ARE MAKING SOME OF THEIR BEST ENGINEERS AND SCIENTISTS AVAILABLE TO SEMATECH. THE FACT THAT THESE FIERCELY COMPETITIVE COMPANIES WOULD PUT ASIDE THEIR DIFFERENCES AND WORK TOGETHER FOR THE COMMON GOOD OF THE COUNTRY AND THE INDUSTRY SPEAKS HIGHLY OF SEMATECH'S SPIRIT OF PRE-COMPETITIVE COOPERATION. THAT SPIRIT PERVADES NOT ONLY SEMATECH BUT THE MORE THAN 130 SEMICONDUCTOR EQUIPMENT AND MATERIALS COMPANIES THAT HAVE JOINED A SISTER ORGANIZATION KNOWN AS SEMI/SEMATECH.

THIS COOPERATION HAS ALLOWED SEMATECH TO MAKE GREAT STRIDES IN A VERY SHORT TIME. SEMATECH'S SUCCESSES HAVE BEEN WIDELY REPORTED BY THE MEDIA, BUT I WOULD LIKE TO CALL THIS COMMITTEE'S ATTENTION TO SOME OF THE COMMENTS MADE BY GOVERNMENT AGENCIES THAT HAVE STUDIED SEMATECH AND ISSUED REPORTS ON THIS UNIQUE INDUSTRY-GOVERNMENT PARTNERSHIP.

THE GENERAL ACCOUNTING OFFICE (GAO) HAS WRITTEN: "SEMATECH IS SEEKING TO LEVERAGE ITS RESOURCES BY EFFECTIVELY USING THE SKILLS AND RESOURCES OF ITS MEMBER COMPANIES, SUPPLIERS, U.S. UNIVERSITIES AND FEDERAL LABORATORIES."

THE DEFENSE MANUFACTURING BOARD: "SEMATECH HAS SHOWN THAT INDUSTRY-LED EFFORTS REQUIRING BOTH MONETARY AND INTELLECTUAL INVESTMENT PROVIDE THE INCENTIVE FOR ACTIVE COOPERATION."

THE ADVISORY COUNCIL ON FEDERAL PARTICIPATION IN SEMATECH: "SEMATECH HAS SCORED IMPORTANT PRELIMINARY SUCCESSES AND DEVELOPED A COOPERATIVE WORKING RELATIONSHIP WITH THE DEFENSE ADVANCED RESEARCH PROJECTS AGENCY (DARPA)."

MR. CHAIRMAN, SEMATECH HAS BEEN REVIEWED AND INTERVIEWED BY FIVE GOVERNMENT AGENCIES IN THE PAST 18 MONTHS (GAO, CRS, OTA, Advisory Council on Federal Participation in SEMATECH, National Advisory Committee on Semiconductors). THE CONSENSUS AGREEMENT IN THE REPORTS THEY HAVE WRITTEN IS THAT SEMATECH IS WORKING AND DESERVES SUPPORT.

THESE REPORTS CALL OUR ATTENTION TO THE HISTORY THAT LED AMERICA TO FORM SUCH A COOPERATIVE EFFORT. JAPAN HAS GROWN TO DOMINATE THE WORLDWIDE SEMICONDUCTOR INSDUSTRY. THEY TARGETED THIS INDUSTRY, WHICH AMERICA VIRTUALLY INVENTED, AND FORGED A STRATEGY TO CAPTURE WORLD LEADERSHIP. THESE TINY AND COMPLEX CHIPS ARE THE FOUNDATION FOR CONSUMER ELECTRONICS, FOR ADVANCED ELECTRONICS, AND FOR THE COMPUTER AND RELATED INDUSTRIES. SINCE LAUNCHING ITS EFFORT IN 1975, JAPAN HAS SURPASSED AMERICA IN SEMICONDUCTORS AND, MORE ALARMINGLY, JUST LAST YEAR SURPASSED AMERICAN FIRMS IN SEMICONDUCTORS EQUIPMENT AND MATERIALS FOR THE FIRST TIME.

JAPAN ENTERED THIS COMPETITION HOLDING TWO IMPORTANT ACES: FIRST, IT PROTECTED ITS DOMESTIC INDUSTRY, MAKING IT PRACTICALLY IMPOSSIBLE FOR U.S. SEMICONDUCTOR MANUFACTURERS TO COMPETE IN WHAT HAS BECOME THE LARGEST SINGLE MARKET IN THE WORLD TODAY; AND, SECOND, JAPAN ILLEGALLY DUMPED SEMICONDUCTORS ON THE U.S. MARKET IN AN ATTEMPT TO DRIVE U.S. COMPANIES OUT OF THE MARKET.

THE U.S. FINALLY RESPONDED IN 1987 WHEN THE DEFENSE SCIENCE BOARD TASK FORCE ISSUED A REPORT THAT CALLED FOR THE FORMATION OF AN INDUSTRY-GOVERNMENT EFFORT TO COMBAT JAPAN'S NATIONAL INITIATIVES. THE TASK FORCE REASONED THAT WITHOUT A COMPETITIVE SEMICONDUCTOR MANUFACTURING BASE IN AMERICA, OUR NATIONAL SECURITY AND OUR NATIONAL ECONOMIC HEALTH WOULD BE JEOPARDIZED. I KNOW THIS COMMITTEE HAS BEEN A KEY PLAYER IN OVERSEEING AMERICA'S SUCCESSFUL DEFENSE WEAPONS STRATEGY. AMERICA RELIES ON QUALITY- SMART WEAPONS AS OPPOSED TO RAW QUANTITY.

SEMICONDUCTORS ARE AT THE HEART OF THAT STRATEGY SINCE THEY ARE USED IN SYSTEMS RANGING FROM TANKS TO FIGHTER PLANES; FROM SUBMARINES TO MISSILES.

IN ADDITION TO ITS MILITARY APPLICATIONS, SEMATECH OBVIOUSLY HAS COMMERCIAL APPLICATIONS. IN LIGHT OF RECENT EVENTS IN EUROPE AND THE EXPECTED CUT-BACKS IN DEFENSE SPENDING, I THINK THAT IT IS IMPORTANT TO FOCUS RESEARCH SPENDING ON PROGRAMS THAT WILL HAVE A WIDE RANGE OF APPLICATIONS.

THE MILITARY IMPLICATIONS OF A SECOND-RATE U.S. SEMICONDUCTOR INDUSTRY ARE OBVIOUS, BUT WE MUST ALSO CONSIDER THE IMPORTANCE OF A STRONG SEMICONDUCTOR INDUSTRY TO THE NATIONAL ECONOMY. TODAY, THE ELECTRONIC INDUSTRY EMPLOYS MORE WORKERS THAN STEEL, AUTOMOBILE, AND AEROSPACE COMBINED.

SEMATECH HAS MOVED QUICKLY TO MEET THE CHALLENGE OF ITS NATIONAL MISSION. SEMATECH MOVED INTO ITS FACILITY IN AUSTIN, TEXAS, JUST 25 MONTHS AGO BUT IN THAT SHORT TIME THE PEOPLE OF SEMATECH HAVE SET A VERY FAST PACE. I TOLD THIS COMMITTEE LAST YEAR ABOUT THE GREAT STRIDES SEMATECH HAD MADE IN ITS FIRST YEAR. I APPRECIATE THE FACT THAT MANY MEMBERS, INCLUDING THE DISTINGUISHED CHAIRMAN OF THIS COMMITTEE, HAVE TAKEN THE TIME TO VISIT SEMATECH AND SEE FIRST-HAND THE AMAZING PROGRESS THAT HAS BEEN MADE.

THIS YEAR, I CAN REPORT TO THE COMMITTEE THAT SEMATECH IS STILL ALIVE AND WELL AND WORKING. AS OF TODAY, SEMATECH HAS SIGNED 44 JOINT DEVELOPMENT CONTRACTS DESIGNED TO RESTORE AMERICA'S LEADERSHIP IN SEMICONDUCTOR MANUFACTURING. SEMATECH IS WORKING HAND-IN-HAND WITH THESE COMPANIES TO ASSURE THAT WE REACH PARITY WITH THE JAPANESE IN SEMICONDUCTOR MANUFACTURING IN 1991 AND SURPASS THEM IN 1993. THESE JOINT DEVELOPMENT CONTRACTS ALSO SPEAK TO THE WISDOM CONGRESS AND THE ADMINISTRATION SHOWED WHEN WE ALLOWED SEMATECH TO FORM. SOME OF THESE CONTRACTS HAVE ALREADY PRODUCED LEADING-EDGE TECHNOLOGY AND EQUIPMENT LIKE A LASER MASK WRITER THAT IS THREE TIMES FASTER THAN ANY OTHER IN THE WORLD TODAY. AND MORE IS ON THE WAY. SEMATECH IS ALSO LEVERAGING OUR NATION'S R&D DOLLARS. FOR EVERY DOLLAR SEMATECH IS BRINGING TO THE TABLE IN THESE JOINT DEVELOPMENT PROJECTS, THE COMPANIES THAT WIN THESE CONTRACTS ARE BRINGING AN AVERAGE OF THREE DOLLARS TO THE TABLE.

SEMATECH HAD CENTERS OF EXCELLENCE IN NINE STATES WHEN I TESTIFIED BEFORE YOU LAST YEAR. TODAY, THAT HAS GROWN TO UNIVERSITY-BASED RESEARCH IN 11 STATES AND TWO NATIONAL LABORATORIES: SANDIA AND OAK RIDGE.

SEMATECH IS NOW IN THE FOURTH OF A FIVE-YEAR PROGRAM, AND I THINK IT IS CLEARLY A SUCCESS. SEMATECH IS WORKING WELL AND IS CURRENTLY OPERATING AHEAD OF SCHEDULE. IT IS IMPERATIVE THAT SEMATECH RECEIVE THE CONTINUED SUPPORT OF CONGRESS TO REMAIN ON TRACK AND MOVE AHEAD OF THE JAPANESE IN SEMICONDUCTOR PRODUCTION.

I URGE THIS COMMITTEE TO CONTINUE ITS FUNDING OF SEMATECH. THE $100 MILLION RECOMMENDED IN THE PRESIDENT'S BUDGET IS WORTHY OF SUPPORT. SEMATECH NEEDS--AND DESERVES--OUR SUPPORT AND OUR ADMIRATION.

THANK YOU

Mr. MURTHA. You were alright until you got into "this is more important than steel or coal." We agreed with you until that point, Jake.

Mr. PICKLE. I want to amend my comments, then. "Equally as important."

Mr. MURTHA. The gentleman from North Carolina.

Mr. HEFNER. I want to thank the gentleman for his hospitality. We spent a week in Austin, one day out there.

Mr. MURTHA. He saw everything you had in town.

Mr. HEFNER. We did appreciate your hospitality and it is good to have you before the committee.

Mr. PICKLE. There is more there when you come back.

Mr. MCDADE. On the Interior Committee where he has had a terrible problem with the fish industry, Jake puts on a fish fry. What kind of hospitality does SEMATECH do? What about a fish fry?

Mr. MURTHA. Jake, you have impressed us about how important this is, but the real reason this is funded is your dedication. We would not want to put up with you if we didn't fund this. You have convinced this subcommittee, we never have a problem because of your going to us individually and as a committee. We appreciate your taking the time to come before the committee today. This project would not be funded at this level if it weren't for Jake Pickle.

Mr. PICKLE. I hear you, Mr. Chairman.

Mr. MCDADE. Nobody does a better job representing the nation and people than Jake. You can be sure that we will look at this very favorably because of your presence here, Jake.

Mr. PICKLE. Thank you. I shall take my leave now, Mr. Chairman.

Mr. MURTHA. Mr. Livingston.

Mr. LIVINGSTON. Thank you, Mr. Chairman.

I want to congratulate Mr. Pickle on his testimony and his flexibility.

WEDNESDAY, MAY 2, 1990.

THE COALITION OF EXPERIMENTAL PROGRAM TO STIMULATE COMPETITIVE RESEARCH (EPSCOR) STATES

WITNESS

PRISCILLA KILCREASE, DIRECTOR, RESEARCH AND DEVELOPMENT, LOUISIANA BOARD OF REGENTS, COALITION OF EXPERIMENTAL PROGRAM TO STIMULATE COMPETITIVE RESEARCH [EPSCOR]

INTRODUCTION

Mr. MURTHA. The next witness is Ms. Priscilla Kilcrease, with The Coalition of EPSCOR States. Mr. Livingston.

Mr. LIVINGSTON. Mr. Chairman, at this time I would like to welcome some witnesses from New Orleans today. First, Dr. Kilcrease, who is the Assistant Commissioner of Higher Education for Research and Development for the Louisiana Board of Regents; and Dr. Gene DeAmour, Vice President for Research at Tulane University, and holds the chair of Louisiana's EPSCOR committee, which

is the Environmental Program to Stimulate Competitive Research under the National Science Foundation, and he is also a member of the executive committee on the EPSCOR coalition.

They are here today representing a Coalition of EPSCOR States, a group of 16 States including Mississippi, Alabama, Louisiana and others who have banded together to improve their research and development capabilities and to address the inequities in how research and development funds are distributed among individual States.

They and the EPSCOR States have excellent suggestions, and I think that that will be shown in their statement today for the possible programs we could fund within the DOD to enhance research in these "have not" States as well as programs to address the National Foundation's projected shortfall of 560,000 scientists and engineers that we are going to need by the year 2010, and that we are not likely to get without substantial changes.

So thank you for coming, and we look forward to hearing your statement.

STATEMENT OF MS. KILCREASE

Ms. KILCREASE. Thank you.

I am presenting this testimony on behalf of the Commissioner of Higher Education in Louisiana as well as President Eamon Kelly, President of Tulane University in New Orleans. He also is chairman of the EPSCOR President's Council. Mr. Chairman and Members of the committee, we appreciate the opportunity you have given us to testify.

FEDERAL RESEARCH FUNDING

The Coalition of EPSCOR States was formed approximately one year ago to work in support of the concepts embodied in the National Science Foundation's Experimental Program to Stimulate Competitive Research (EPSCOR). The National Science Foundation established EPSCOR in 1979 for the purpose of developing the capacity of scientists and institutions in eligible States to compete more successfully for Federal research funding from NSF and other Federal agencies. The EPSCOR approach involves a coordinated State-wide planning effort, designed to identify programs which will facilitate the creation of pockets of research excellence within each State. Since 1979, 16 States and Puerto Rico have been designated by NSF as eligible for participation.

Presently, Federal research funding is concentrated in relatively few States and regions of the nation. As you can see from Chart one, the 16 EPSCOR States and Puerto Rico, while containing 13 percent of the United States population, receive only 5.6 percent of Federal research and development dollars. In contrast, the top five research States, with 27.9 percent of the population, receive 44.5 percent of Federal research and development dollars.

It is not surprising, therefore—in fact, it may be related—that the EPSCOR States tend to have a per capita income that is lower than the national average and substantially lower than the top five research States. This is shown in Chart two.

The result has been a significant improvement in State support for research and development in the EPSCOR States. As you can see from Charts three and four, Federal support as a percent of total spending for research and development at our research universities continues to lag significantly behind the national average for Federal support and the percentage of support provided to the top five States.

On the other hand, State support in the EPSCOR States is twice the national average and over seven times as great on a percentage basis as it is in the State that receives the greatest amount of Federal support.

Mr. Chairman, it is now time for a serious, governmentwide, systematic effort to broaden this nation's research base, and we believe that the EPSCOR approach, as developed and refined by NSF for over ten years, is the best way to proceed. We are not alone in this view; Dr. D. Allan Bromley, the president's Science Adviser, and Mr. Erich Bloch, the NSF Director, have expressed specific support for having the EPSCOR model adopted by other departments.

UNIVERSITY RESEARCH FUNDING

Accordingly, we hope that this subcommittee will consider having the Department of Defense make available a small amount of its university research funding, perhaps up to $7 million, to States for competitively awarded EPSCOR-type grants. Part of this money could be used to support a number of planning grants for States to assess their potential in areas of research that are important to the Department of Defense and to develop comprehensive plans to realize this potential.

For those EPSCOR States that have already made progress in this area, the funds could be used for a small number of larger implementation grants that would support research enhancement, infrastructure improvement and/or human resource development to meet the ongoing technical needs of the department.

In 1979, NSF, faced with a requirement in its charter that it "avoid undue concentrations of research" initiated EPSCOR in an effort to broaden the distribution of its research funds. As developed over the last decade by NSF, this State-based model has proven effective; two out of the last three engineering research centers awarded by the foundation went to institutions in EPSCOR States.

We in the coalition believe that this proven model should be extended to other departments and agencies that fund research, including the Department of Defense. With the support of this committee, we are confident that the breadth of the research enterprise funded by DOD will be improved and that a significant enhancement of our human resource potential in the areas of science important to the DOD mission will result.

Thank you very much, Mr. Chairman. I will be happy to answer any questions that you might have.

Mr. MURTHA. We appreciate both of you appearing before the committee. We will take a good look at these suggestions. We have

32-241 O—89——22

had this concern for a couple of years. Mr. Sabo brought it up and Mr. Livingston has talked about it several times.

We are concerned that only a few universities get the majority of the funding. As a matter of fact, we have had a program for several years where we put money in for universities and we have had a little problem getting it finalized. We appreciate your suggestions and we will take a good look at them.

Ms. KILCREASE. Thank you very much.

[The statement of Ms. Kilcrease follows:]

Statement of
the Coalition of EPSCoR States

Before the House Subcommittee on
Defense
Committee on Appropriations
May 2, 1990

INTRODUCTION.

Mr. Chairman and members of the Committee, we appreciate the opportunity you have given us to testify. The Coalition of EPSCoR States was formed approximately one year ago to work in support of the concepts embodied in the National Science Foundation's Experimental Program to Stimulate Competitive Research (EPSCoR).

The National Science Foundation established EPSCoR in 1979 for the purpose of developing the capacity of scientists and institutions in eligible states to compete more successfully for Federal research funding from NSF and other Federal agencies. The EPSCoR approach involves a coordinated state-wide planning effort, designed to identify programs which will facilitate the creation of pockets of research excellence within each state. Since 1979, 16 states and Puerto Rico* have been designated by NSF as eligible for participation.

The EPSCoR Coalition was formed to increase awareness of the EPSCoR program, to secure additional funding for it at NSF, and to encourage other agencies and departments of the Federal

*Alabama, Arkansas, Idaho, Kentucky, Louisiana, Maine, Mississippi, Montana, Nevada, North Dakota, Oklahoma, Puerto Rico, South Carolina, South Dakota, Vermont, West Virginia and Wyoming.

government to adopt complementary initiatives. By this statement we request this Subcommittee's support for initiating an EPSCoR-type initiative at the Department of Defense.

Characteristics of the EPSCoR States.

Presently, Federal research funding is concentrated in relatively few states and regions of the nation. As you can see from Chart I, the 16 EPSCoR states and Puerto Rico, while containing 13% of the United States population, receive only 5.6% of Federal research and development dollars. In contrast, the top five research states, with 27.9% of the population, receive 44.5% of Federal research and development dollars. It is not surprising, therefore, -- in fact it may be related, -- that the EPSCoR states tend to have a per capita income that is lower than the national average and substantially lower than the top five research states. This is shown in Chart II.

The EPSCoR experiment, while funded at only one-quarter of one percent of the NSF budget, was designed as a first step in addressing this disparity. The EPSCoR approach involves the establishment of a state-wide coordinating mechanism to:

-- Identify state and institutional barriers to successful competition for funding.

-- Develop a comprehensive improvement plan supported by state and institutional resources.

-- Undertake a merit review of all EPSCoR programs and;

-- Implement an improvement plan focusing on infrastructure improvement, research enhancements and human resource development.

The result has been a significant improvement in state support for research and development in the EPSCoR states. As you can see from Charts III and IV, Federal support as a percent of total spending for research and development at our research universities continues to lag significantly behind both the national average for Federal support and the percentage of support provided to the top five states. On the other hand, state support in the EPSCoR states is twice the national average and over seven times as great on a percentage basis as it is in the state that receives the greatest amount of Federal support.

Initiating an EPSCoR Program at Department of Defense.

Mr. Chairman, it is now time for a serious government-wide, systematic effort to broaden this Nation's research base, and we believe that the EPSCoR approach, as developed and refined by NSF for over 10 years, is the best way to proceed. We are not alone in this view; Dr. D. Allan Bromley, the President's Science Advisor, and Mr. Erich Bloch, the NSF Director, have expressed specific support for having the EPSCoR model adopted by other departments. We would also note that the Association of American Universities (AAU) and the National Association of State Universities and Land-Grant Colleges are both on record in this regard.

Accordingly, we hope that this Subcommittee will consider having the Department of Defense make available a small amount of its university research funding, perhaps up to $7 million, to states for competitively-awarded EPSCoR-type grants. Part of

this money could be used to support a number of planning grants for states to assess their potential in areas of research important to the Department of Defense and to develop comprehensive plans to realize this potential. For those EPSCoR states that have already made progress in this area, the funds could be used for a small number of larger implementation grants that would support research enhancement, infrastructure improvement and/or human resource development to meet the ongoing technical needs of the Department.

Conclusion.

In 1979, NSF, faced with a requirement in its charter that it "avoid undue concentrations of research" initiated EPSCoR in an effort to broaden the distribution of its research funds. As developed over the last decade by NSF, this state-based model has proven effective; two out of the last three engineering research centers awarded by the Foundation went to institutions in EPSCoR states.

We in the Coalition believe that this proven model should be extended to other departments and agencies that fund research, including the Department of Defense. With the support of this Subcommittee, we are confident that the breadth of the research enterprise funded by DOD will be improved and that a significant enhancement of our human resource potential in the areas of science important to the DOD mission will result.

Chart I

COMPARISON OF POPULATION AND FEDERAL R & D $$ AS PER CENT OF THE U.S. TOTAL

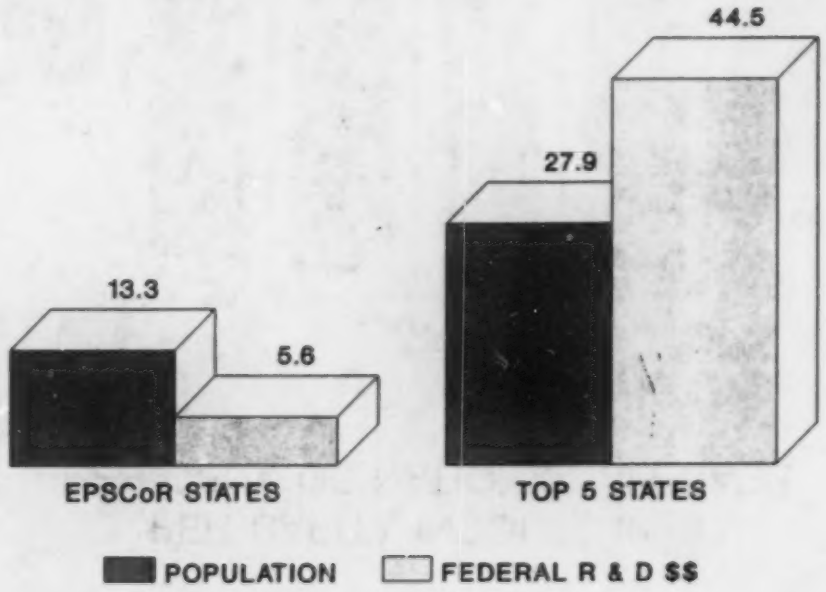


Chart II

PER CAPITA INCOME, 1988
PER CENT OF NATIONAL AVERAGE

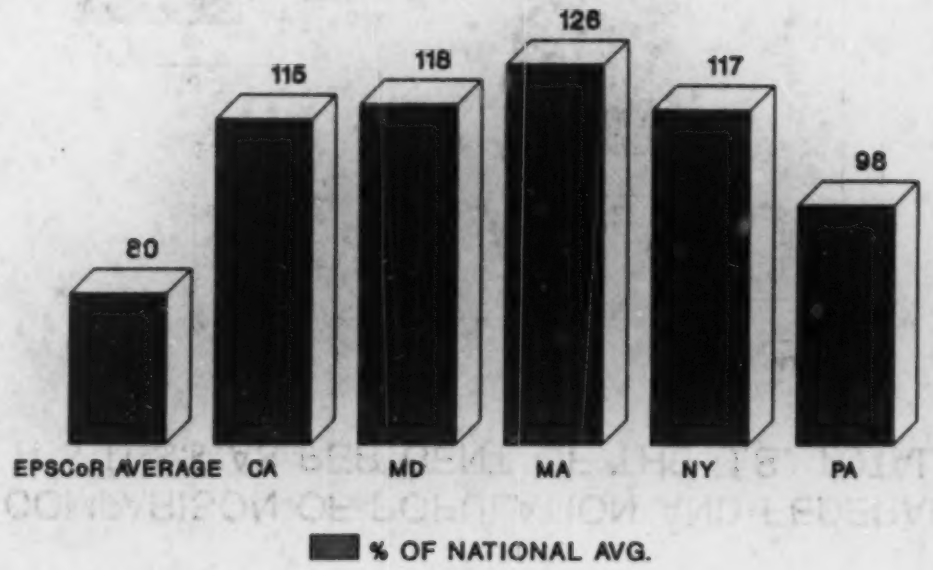


Chart III

PER CENT OF TOTAL 1988 R & D SPENDING PROVIDED BY FEDERAL GOVERNMENT

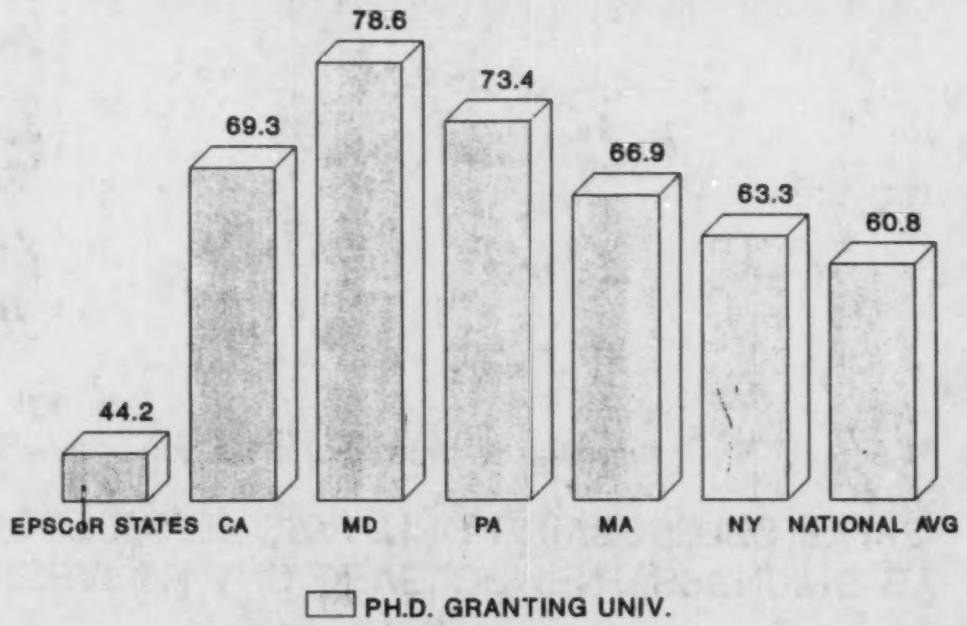
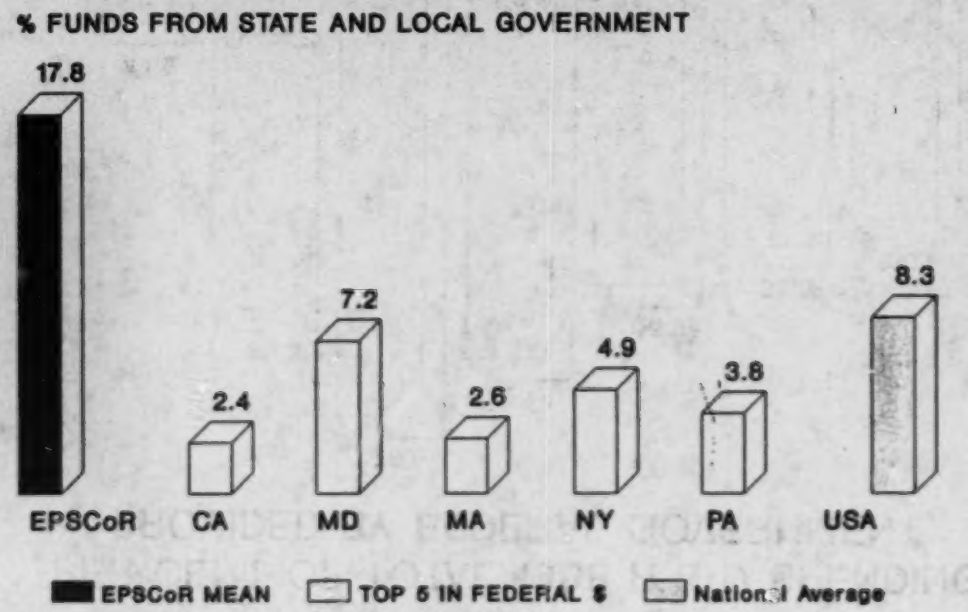


Chart IV

RESEARCH AND DEVELOPMENT SPENDING BY DOCTORATE-GRANTING UNIVERSITIES FY 88



Source: National Science Foundation

WEDNESDAY, MAY 2, 1990.

FEDERATION OF BEHAVIORAL, PSYCHOLOGICAL AND COGNITIVE SCIENCES

WITNESS

DAVID JOHNSON, PH.D., FEDERATION OF BEHAVIORAL, PSYCHOLOGICAL AND COGNITIVE SCIENCES

INTRODUCTION

Mr. MURTHA. The next witness is Mr. David Johnson with the Behavioral, Psychological and Cognitive Sciences. Mr. Johnson.

STATEMENT OF MR. JOHNSON

Mr. JOHNSON. Mr. Chairman, Members of the committee, I am testifying on behalf of the Federation of Behavioral, Psychological and Cognitive Sciences, which is comprised of 15 scientific societies and more than 130 research centers and university departments of behavioral science and education.

BEHAVIORAL SCIENCE REEARCH BUDGET

Last year when I testified before this committee we lived in a different world. Now tensions between the U.S. and Soviet Union are reduced. There is much interest in paring back the defense budget. In many cases that seems justified. But in some areas the shrinking military signals a need for a greater, not lesser, concentration of resources. The behavioral science research budget is one area that needs to grow because of other cuts. Why is this the case?

When most people think of defense, they think of the hardware of defense, the aircraft, the missiles. But the fact is that half the defense budget is invested in people. Without them the hardware is useless. As the defense budget shrinks, so too will the number of people involved in national defense. That does not mean less attention will need to be paid to those who are left. It means the opposite. Those who remain will have to do more and do it with greater precision.

EDUCATION AND TRAINING

In meeting these more stringent future standards, the Armed Services will continue to be the victim of an American educational system that is not doing an adequate job of preparing graduates for work in demanding and technical occupations—occupations that are becoming the norm in the Armed Services.

To their credit, the Army, Navy and Air Force have appreciated this problem for some time. Today some of the most important research on learning, testing and training is supported by the Army Research Institute Basic Research Office, and the Life Sciences Divisions of the Air Force Office of Scientific Research and the Office of Naval Research.

Also to their credit, the Armed Services have recognized that their excellent work must be available to teachers in civilian classrooms as well as military training sites. The emphasis in these

agencies is on what they call "dual use technologies." These are advances that not only improve the expertise of military personnel but also can improve civilian education and training.

There is great excitement now about transferring military dollars to the civilian sector. What the three offices I have mentioned have been transferring is more valuable than dollars. Far from moving that money out of the research to which it is now being applied, for the good of all Americans, it should be left where it is and augmented. Across the three services, expenditures for 6.1 or basic behavioral research amount to only $36.9 million. The figure will change to $37.7 million in 1991 under the current request.

That $800,000 change represents a $400,000 cut to the Army's current $3.4 million budget, a rise from $18.9 to $20 million for the Air Force and a $100,000 rise from $14.6 to $14.7 million for the Office of Naval Research. The cut at the Army including one that would have gone to a minority institution of higher education, has been canceled. The changes at the Air Force and Navy will not keep pace with inflation. It is our conviction that this is the wrong fiscal policy to pursue. Now is the right time to increase each of these budgets.

RESEARCH FUNDING

What are these research dollars buying? They are buying improved techniques for matching the capabilities of people with jobs to be performed. They are finding ways to train people for highly technical tasks in simpler, less expensive yet effective learning environments. Behavioral scientists helped develop simulators that represented a dramatic cost saving over using real planes or tanks. They are at work now on even less expensive and more generally available training devices.

Current research dollars are also buying extremely important basic research on the nature of intelligence, research that will not only improve the way soldiers and civilians are taught but that will move us closer to building advanced robots capable of movement guided by sight and touch and computers whose circuitry imitates the processes of the human brain.

They are buying research that will make military personnel better able to use sophisticated command and control devices in critical decision-making situations including situations of extreme stress.

And those dollars are buying improved safety for military personnel. Accidents, as a host of incidents have illustrated over the past several months, are killing and disabling more military personnel nowadays than are armed conflicts.

Mr. MURTHA. Let me interrupt you. We are trying to stay within the five-minute rule.

Mr. McDade.

Mr. MCDADE. I have no questions. We appreciate your testimony. Thank you.

Mr. MURTHA. Your statement will appear in the record in its entirety.

[The statement of Mr. Johnson follows:]

Written testimony of David Johnson, Ph.D.
on behalf of the
Federation of Behavioral, Psychological and Cognitive Sciences

before the House Appropriations Committee
Subcommittee on Defense
the Honorable John Murtha, Chair

May 2, 1990
1:30 P.M.
H-140 the Capitol

Mr. Chairman, members of the Subcommittee, I am testifying on behalf of the Federation of Behavioral, Psychological and Cognitive Sciences which is comprised of 15 scientific societies and more than 130 research centers and university departments of behavioral science and education.

As Eastern Europe has moved quickly toward democracy in the past year, and as the Soviet Union has shown signs of progress toward democracy as well, a feeling has grown in the United States that we are less threatened than we used to be, that we can begin to pare back military spending and turn those dollars toward civilian uses. It appears so far that this sentiment is largely justified. At the same time, however, there is as much need as ever to exercise careful thought in deciding what parts of the defense budget it is wise to cut and what parts must be left intact or even allowed to grow.

I want to propose to you that the basic behavioral science research budget is one of the items that should not be pared back. I want to propose that this item of the defense budget is, if anything, more necessary than it was when the Defense Department was in a period of rapid growth. During that period of growth, new resources were concentrated on development of new aircraft, strategic defense technology, and upgrading of missile systems. A small amount was allocated to research on and development of human resources. In fact, during that period of growth, behavioral research continued a twenty year decline in support. This was happening despite the fact that more than half of the Defense Department budget was, and still is, devoted not to hardware but to personnel.

When there were sufficient funds and sufficient recruits, it was a luxury not to have to worry overly much about how personnel were used: whether the right person was put in the right job, whether training was accomplished in the most efficient and most effective possible manner, and whether military personnel were able to use the hardware provided them in the way it was intended to be used. To be sure, research on human behavior was carried on throughout this period at modest levels. And this research had its impact. Cockpits were better designed, simulators for safe, yet realistic

training were designed and deployed. Research on educating new recruits who had difficulty with such basics as reading, writing and elementary mathematics was excellent. Despite the modest budgets, there were many successful applications of DOD supported behavioral research.

Now, however, the world has changed. With the paring back of the defense budget will come a paring back of military personnel. It is that inevitable reduction that now makes it a much more urgent matter to add resources to the behavioral research budget. When there were enough people, there was a degree of flexibility in the system. If one person failed to perform in a certain niche, there were others to put in that person's place. In the coming years, that flexibility will gradually be surrendered by the Armed Services. There will not be enough people. Fewer people will have to do more jobs and do them more precisely and efficiently than has been the case to date. And in many cases machines that imitate some aspects of human behavior will need to be used to free humans for other tasks. The means both to perfect those machines and to determine how to prepare and use the diminishing human resource most wisely and safely rest with behavioral research. That is why expenditures in this area need to grow as other parts of the budget shrink.

There is even some urgency that this budget receive greater resources. During the years of decline in the behavioral science research budget, resources were often insufficient to move every piece of basic research from discovery to development, testing and evaluation. What happened over that time was that selected lines of research were developed while a variety of relatively low-cost areas of basic research were supported in preparation for a time when they too could be developed. It is reasonable to believe now that there will be an increasing need to develop many of these lines of basic research into processes, techniques and technologies that will enable the Armed Services to do better work with fewer people and less money. The next several years of behavioral research budgeting for the Armed Services should be viewed as a period of consolidation. It is time to begin drawing the lines between the disparate pieces of basic

work so that practical payoffs can be realized.

We know from demographics, for example, that the pool of recruits for the Armed Services is going to shrink even as the problems related to poor academic preparation of the nation's high school graduates becomes more serious. The Armed Services will be in an ever tougher competition with private industry for the best prepared in this shrinking pool. That set of factors will make it imperative that the Services develop much more exact screening instruments for new recruits. The Services must begin to take much greater pains to select the right people for the right jobs. It so happens that a good deal of excellent basic research has been done by the Services on screening instruments. It appears from this research that it is possible to assess not just the aptitude of recruits for the various occupations required by the Services but also to determine the level of expertise each recruit brings to the areas in which he or she shows aptitude. Basic research on differences in thought processes and evaluative schemata between novices and experts has provided the groundwork for such instruments. There is a need now to develop a variety of such instruments to the point of practical use.

While behavioral research of the past helped to develop the aircraft, tank and other simulators now used to train military personnel, there is an inherent shortcoming in these simulators. They are extremely sophisticated and, therefore, extremely expensive. That means there are few of them available. Trainee time on simulators, even with fewer trainees, will have to continue to be rationed. While those who log time in the simulators receive excellent training, their time with the device is too limited to become fully trained before having to operate the real thing. Very interesting basic research has been done to determine whether much simpler and much less expensive systems can provide more trainees with more training time. Computer software that monitors trainee development and then alters feedback accordingly has also received investigation. The combination of less expensive training devices mated with software that allows truly personalized instruction has the potential to help military personnel learn highly technical skills more thoroughly and more rapidly than is possible in

current simulator devices. The need to develop that basic research into practical training devices will grow more intense as the impact of demographic change begins to take its toll on the pool of potential recruits.

There are a host of such pieces of basic research that now need to receive a sufficient concentration of resources to bring them to the point of practical utility. There are also areas of even more basic research that hold great promise for both the defense and the civilian sector. Some of the most important fundamental research on the nature of human cognition has been supported by the Armed Services. That body of research has brought us very close to grasping how it is the human mind perceives, processes and stores information. In short, scientists are much closer to understanding how the human mind learns. One suggestion from that research is that some of the ways people are commonly taught reading and mathematics are sufficiently at odds with the way the mind is designed to think that teaching actually impedes rather than aids the learning process. A great deal more work needs to be done in this area. But the potential payoff is that both civilian and military students may eventually be educated and trained in ways that are profoundly more effective than current pedagogical methods because the new methods will be developed around a deep understanding of human mental processes. Obviously this work is extremely important to both the defense and civilian sectors. Much of the best work has been done under DOD supported research contracts. There should be no displacement of that funding to civilian activities because it is already being used in a way that will have maximum benefit to all sectors. Precise models of the human learner, the human teacher, and optimal learning environments now need to be developed. The three behavioral research offices of the Armed Services should receive an infusion of resources to go on to this next step in the investigatory process. I should add that much of the same basic research that is helping us understand how the human mind works is also pointing the way toward development of computer systems that will work much faster, handle more information, and store more data than current computers by imitating the circuitry of the human

mind. The potential payoff for the military and the commercial sectors is clear.

In addition to the many areas of investigation that are ready for near term development and the areas that are at a more basic stage, but whose utility in military and civilian applications if fully developed is obvious, the behavioral research units of the Armed Services perform another indispensable function. They are responsible for finding ways to protect military personnel. I am not referring here to more sophisticated vehicle armor or better evasive devices for aircraft. Instead I am referring to the perhaps surprising fact that accidents are among the most frequent causes of death or injury for those in the military. The series of well publicized accidents that have occurred in the last several months is a dramatic illustration of this fact. Accidents happen most often because of avoidable human error. A very important portion of the Defense Department's behavioral research budget is devoted to improving the safety of military life. Much work continues to be done, for example, in finding ways to make equipment safer to use. Night goggles have been linked to a number of aircraft crashes. Perception research revealed how the night goggles distort vision and cause pilot misjudgments. Modifications of the goggles and heads-up instrument displays have reduced this danger. A host of other examples can be cited, but the point is clear enough: Even though the size of the military force will decrease, the responsibility of the Armed Services to protect its personnel should not decrease. Resources for this research must be maintained.

The argument I have tried to make is that as the size of the Defense Department is reduced, the need for behavioral research and development in the Armed Services will increase because it will be necessary for the Services to use its diminished human resources much more efficiently. I make that argument because there is little indication that the Department of Defense has identified behavioral research as a necessary activity to preserve and augment. There are three major offices that carry out the bulk of behavioral research for the Armed Services: The Army Research Institute Office of Basic Research, the Life Sciences Division of the Office of Naval Research

and the Life Sciences Office of the Air Force Office of Scientific Research. The FY91 appropriation requests for these three offices will not keep pace even with inflation, and, in one case, represents a severe cut. The combined budgets of the three offices in 1990 is $36.9 million. The requested 1991 level would be $37.7 million. That $800,000 change represents a $400,000 cut to the Army's current $3.4 million budget, a rise from $18.9 to $20 million for the Air Force, and a $100,000 rise from $14.6 to $14.7 million for the Navy. The cut at the Army means that all anticipated new research contracts for 1991, including one that would have gone to a minority institution of higher education, have been cancelled. It is our conviction given projected military needs that this is the wrong fiscal policy to pursue with respect to this research activity. Rather than shrinking these budgets without regard to their continuing importance for both military and civilian applications, the budgets should be increased to help assure that the Defense Department will be able to continue to meet its responsibilities despite decreased resources.

We urge this Subcommittee to see, at the very least, that these three offices receive appropriations sufficient to allow them to stay even with inflation. At the 7% inflation rate that seems likely from first quarter 1990 indices the stay even rates would be $3.638 million for 6.1 research at the ARI Office of Basic Research, $20.223 for the Life Sciences division of AFOSR, and $15.622 million for Life Sciences at ONR. We strongly believe, however, that the better and more proper action for this Subcommittee to take at this time is to raise the appropriations for the three offices by 12%, substantially beyond the rate of inflation, so that significant progress can be made toward developing the understanding, the processes, the instruments and the technologies that will make it possible for the Armed Services to provide the country with a strong defense despite greatly diminished resources. In this case, the funding levels for 6.1 research at the Army, Air Force and Navy would be $3.808, $21.168, and $16.352 million, respectively. I thank the Subcommittee for affording me an opportunity to voice these views on behalf of the more than 20,000 scientists represented by the Federation of Behavioral, Psychological and Cognitive Sciences.

WEDNESDAY, MAY 2, 1990.

THE AMERICAN SOCIETY OF TROPICAL MEDICINE AND HYGIENE

WITNESS

ROBERT E. SHOPE, M.D., THE AMERICAN SOCIETY OF TROPICAL MEDICINE AND HYGIENE

INTRODUCTION

Mr. MURTHA. Our next witness is Mr. Robert Shope with the American Society of Tropical Medicine and Hygiene. Mr. Shope.

STATEMENT OF MR. SHOPE

Mr. SHOPE. Thank you, Mr. Chairman.

I am Robert E. Shope. I am professor of epidemiology at the Department of Epidemiology and Public Health of the Yale University School of Medicine, and I am testifying on behalf of the American Society of Tropical Medicine and Hygiene, a professional society of engineers and practitioners dedicated to the prevention and treatment of tropical diseases. I would like to request that my written statement be placed in the record.

INFECTIOUS DISEASES RESEARCH

I thank the Chairman and Members of the committee for your support of the military's infectious diseases research program. It is our view that this is a program that truly bridges the needs of military preparedness and peacetime. In each of the last three wars more than 70 percent of military hospitalizations were for not battle diseases including tropic infectious diseases which interfered with the ability to fight and sometimes drastically reduced the numbers and efficiency of soldiers and sailors.

Recognizing this ongoing threat, the DOD's infectious diseases research program has targeted major tropical infectious diseases which have the potential to stop or impede mobilization, deployment or mission. The military programs have been the nation's primary source of specially trained tropical disease personnel and have played a critical role in the advancement of science in the field of tropical medicine. Today the military conducts research and development in drugs, vaccine and rapid diagnostic and maintenance at eight overseas military laboratories through which trials of drugs and vaccines are coordinated.

Recently the Army Infectious Diseases Research Program made significant progress toward a vaccine for malaria. Malaria continues to be a serious threat and is responsible for the death of more than one million children annually. In fact, the risk to U.S. servicemen overseas has increased with the evolution of malaria strains that are resistant to the current therapy.

In November, an alert researcher at the U.S. Army Medical Research facility at Fort Deitrich detected an Ebola virus in monkeys imported from the Philippines. That virus earlier had caused a fatal hemorrhagic fever in people of central Africa. Many of these monkeys being imported into the United States during the last two

or three years are being used for AIDS research. This research is research in which the finding of the Ebola virus in the monkeys is threatening. Fortunately, the diagnostic technology developed by the Army will be used at U.S. importation terminals to spot infected monkeys and protect animal handlers, scientists and other animals that are coming in at the same time for research work.

Army researchers are also making progress towards vaccines for dengue, which was a major impediment to troop strength in World War II and is still a major killer in Asia and tropical Americas.

Biotechnology created a window of opportunity which never existed before and it is imperative that tropical research scientists have the resources to follow up on initial promising advances in this area. However, just when opportunities look brightest, support for this program appears to be waning.

Even the eight overseas military laboratories which serve very importantly as field research——

Mr. MURTHA. Let me stop you here because I want to ask you a couple of questions. We will read your statement.

As I understand it, the former Secretary of the Army told me that the Army is further ahead with the possibility of a vaccine against AIDS than any other organization he knows of. Are you familiar with that research?

Mr. SHOPE. I am familiar with the fact that they have a program. I do not know—I know some of the research. They have been using a virus using common DNA technology to produce this protein which is being used as a vaccine, yes.

Mr. MURTHA. It sounds like the reason this research is so successful is because a lot of it is done in the jungle location?

Mr. SHOPE. There is no other way to test a vaccine other than where the disease occurs naturally.

Mr. MURTHA. This committee and its Members have been strong supporters of what you are saying. There may be a slowdown of emphasis in other places, but there will not be in this committee. We feel this is one of the things that we have to be prepared for. There is such a big advantage to the civilian population in curing or in preventing disease.

Mr. McDade.

Mr. MCDADE. I have no questions.

Thank you for your testimony.

Mr. MURTHA. Thank you very much.

[The statement of Mr. Shope follows:]

STATEMENT OF

THE AMERICAN SOCIETY OF TROPICAL MEDICINE AND HYGIENE

BEFORE THE
HOUSE SUBCOMMITTEE ON DEFENSE APPROPRIATIONS

by

Robert E. Shope, M.D.
Professor of Epidemiology
Department of Epidemiology and Public Health
Yale University School of Medicine

May 2, 1990

Thank you Mr. Chairman. My name is Robert E. Shope and I am Professor of Epidemiology of the Department of Epidemiology and Public Health of the Yale University School of Medicine. I am here today testifying on behalf of the American Society of Tropical Medicine and Hygiene, a professional society of researchers and practitioners dedicated to the prevention and treatment of tropical diseases, primarily infectious diseases. I would like to request that my written statement be placed in the record.

I would like to thank the Chairman and Members of the Subcommittee for the opportunity to testify today. I recognize that the Subcommittee has been supportive of the Military's Infectious Disease Research Program over the past years. The Society urges this Subcommittee to continue its record of support for tropical disease research in FY 91. In our view, support for the Department of Defense's Infectious Disease Research Program is essential to ensure the protection of U.S. military personnel throughout the world, maintain the U.S. primacy in tropical medicine, and to conquer major scourges that threaten U.S. travellers and businesspersons, as well as millions of people living in the developing nations of the world. This research represents a program which truly bridges the needs of military preparedness and peacetime.

Background

In each of the last three wars, more that 80% of military hospitalizations were for non-battle diseases. Tropical infections such as malaria, leishmaniasis (tropical sore), dengue, and Japanese encephalitis interfered with the ability to fight and sometimes drastically reduced the numbers and efficiency of soldiers and sailors.

To better manage the real and ongoing threat of tropical diseases, a Congressional directive in 1982 designated the Army as the lead DoD agency of the Infectious Diseases Research Program. This program, which is administered through the Medical Research and Development Command, has targeted major tropical infectious diseases which have the potential to stop or impede mobilization, deployment, or mission; these include: **parasitic diseases** (e.g., malaria and leishmaniasis); **viral diseases** (e.g., dengue, Japanese encephalitis, hemorrhagic fevers); and, **bacterial diseases** (e.g., diarrhea and meningitis). The Department of Defense maintains personnel expert in these diseases, who are ready to be deployed wherever troops go. The military also conducts research and development in drugs, vaccines, and rapid diagnostic technologies. In addition, there are eight overseas military laboratories which serve as bases for trials of drugs and vaccines.

Military role in tropical medicine

The successes of the military's efforts in this area are indisputable. It is a widely-held consensus that U.S. military-funded research and training is largely responsible for the United States's ability to address tropical disease problems in the past. Its programs have been the primary source of specially trained personnel and has played a critical role in the advancement of science in the field of tropical medicine. Recently, for example, the Army's Infectious Disease Research Program has made significant progress toward a vaccine for malaria, which continues to be a serious threat to military and other adult populations, and is responsible for the death of more than 1 million children annually. In fact, the risk to U.S. servicemen overseas has actually increased with the development of malaria strains that are resistant to current therapy.

The Army has also been a leader in the development of drugs, vaccines, and rapid diagnostics, and in applying these tools to protect the American military and general public. For example, African Hemorrhagic Fever caused by the Ebola virus has a case fatality rate approaching 90% when it infects people in Central Africa. In the fall of 1989, an alert researcher at the U.S. Army Medical Research Institute of Infectious Disease at Fort Detrick detected Ebola virus in monkeys dying after importation from the

Philippines to a Virginia primate colony. Later, other shipments were also found to be infected, and the tropical disease experts from the Army were consulted for technical advice.

As the numbers of monkeys imported into the U.S. has increased substantially in the past three years because of the critical requirement for primates in AIDS research, the discovery of Ebola virus infection was disturbing because of the risk of infection, as well as for its potentially dramatic effect on U.S. medical research efforts. However, diagnostic technology developed by the Army enabled the development of measures for use at airport importation terminals to protect monkey handlers, scientists, and other animals from this deadly infection. This episode illustrates the strategic role that the military's Infectious Disease Research Program plays in the tropical medicine preparedness of our nation.

Another significant initiative of today's Army infectious disease program is the development of vaccines for dengue, which was a major impediment to troop strength during WWII in both the Mediterranean and Pacific Theaters. Dengue is a major killer of children is Asia and affects huge population groups in Africa, Asia, and the tropical Americas. In fact, in recent years, there have been several large dengue epidemics in the nearby Caribbean and the mosquito vector for dengue is found throughout much of the United States. We had no vaccine or treatment in WWII, and we still have none. However, rapid progress is being made, both with conventional vaccines and with recombinant DNA products. Modern

technological advances have created a window of opportunity which we have never had before. It is imperative that tropical medicine research scientists have the resources to follow up on the initial promising advancements in this area.

Declining capacity to respond to threat

However, just when biomedical opportunities look the brightest, support for this critical military program appears to be waning. The Society can not overemphasize the unique contribution that the miliary's Infectious Disease Research Program continues to make and would remind the Subcommittee that the threat of tropical diseases is still very real.

The eight overseas military laboratories are a necessary resource for research in the field and are unique to the military. For instance, the U.S. Army-supported Armed Forces Research Institute for Medical Sciences in Bangkok, Thailand, is one of the Army's facilities that has done the groundwork to identify and study populations with endemic malaria so that controlled trials of the candidate malaria vaccine -- which must be done in tropical countries -- may be implemented in a timely and expert fashion. These overseas sites not only serve as the bases for trials of drugs and vaccines, but they are also essential peacetime tropical medicine training sites for military doctors. However, even these unique resources are not safe from cuts -- the strategically located Medical Research Unit in Kuala Lumpur, Malaysia was

recently phased out. The damage of the laboratory's closing is exacerbated by the fact that it takes years to develop the collaborative relationships with and earn the trust of local scientists, officials, and other residents, so replacing such sites is not merely a matter of funding.

An unfortunate byproduct of the military's leadership role in this area of medicine is that the manpower capabilities of the U.S. are rapidly declining, as the tropical disease specialists who trained during wartime are lost to retirement or death. The mounting problems in this area have been documented in two expert assessments within the past five years and we recommend them both to the Committee: Status of Biomedical Research and Related Technology for Tropical Diseases (1985) by the Congressional Office of Technology Assessment; and, The U.S. Capacity to Address Tropical Infectious Disease Problems (1987) by the Institute of Medicine. These reports point to the decline in numbers of field specialists and practitioners of tropical medicine -- specialists which are fostered by the military.

The President's FY 91 Budget Request calls for $42.943 million for the non-AIDS portion of the Department of Defense Infectious Disease Research Program. This request for a 2% increase does not even keep pace with inflation, estimated in the President's Budget to be at least 4%. The American Society of Tropical Medicine and Hygiene believes that this research is too critical to the health and medical capacity of the U.S. to settle for effectively

declining budgets. As the Subcommittee assesses the strength of various military programs, the Society respectfully requests that the Subcommittee recognize the unique contributions of military research and training in the field of tropical medicine and to make a specific decision to maintain this program which is not duplicated elsewhere. More specifically, the Society requests that the Subcommittee provide stable funding, at least even with inflation, for the Infectious Disease Research Program, for FY 91.

The American Society of Tropical Medicine and Hygiene strongly believes that the unique training and scientific infrastructure of the Infectious Disease Research Program must be strengthened if the U.S. is going to be able to maintain military readiness, take advantage of the current opportunities to control tropical diseases presented by molecular biology, and make humanitarian and humane contributions overseas.

This concludes my formal statement. I would be pleased to answer any questions that the Subcommittee may have.

WEDNESDAY, MAY 2, 1990.

AMERICAN ASSOCIATION OF NURSE ANESTHETISTS

WITNESS

DENNIS STROUP, AMERICAN ASSOCIATION OF NURSE ANESTHETISTS

INTRODUCTION

Mr. MURTHA. Our next witness is Mr. Dennis Stroup with the American Association of Nurse Anesthetists.

STATEMENT OF MR. STROUP

Mr. STROUP. I would like to thank the committee for listening to my testimony. I am a certified registered nurse anesthetist and co-Director of the Graduate Anesthesia Educational Program in the School of Nursing at the University of Pittsburgh. I am also a retired Army Nurse Corps Officer, having served most of my years in the service as a nurse anesthetist practitioner and educator. My last assignment was at William Beaumont Medical Center in El Paso, Texas.

Nurse anesthetists provide anesthesia services throughout the military hospitals. We pre-op the patient, assess and talk to the patient, and counsel them regarding the anesthesia plan. In the operating room, we carry out the plan, monitoring the patient throughout the anesthesia, adjusting the plan as the patient changes, emerge the patient from anesthesia, see that they are safe in the recovery room and there are no complications. We do a follow-up on the patient to assure no complications.

At William Beaumont approximately 95 percent of the anesthesia is administered by Nurse anesthetists to all patients—including neurosurgical patients, patients having cancer surgery, and patients from trauma. At William Beaumont morbidity and mortality from anesthesia was much lower than that on the national level.

INCENTIVE PAY

I am here to support the incentive pay for Nurse anesthetists in the military—a retention and recruitment initiative. It is obvious that the incentive pay of $6,000 for fiscal year 1990 had dramatic impact upon the retention of Nurse anesthetists. Our figures indicate that the U.S. Navy and U.S. Air Force had an 88 percent acceptance of the retention pay.

Mr. MURTHA. How many do you think would have stayed if it were not for the pay?

Mr. STROUP. Probably a much lower number. We see in the journal now a lot of military people are requesting jobs on the outside.

Mr. MURTHA. Of course there is no problem getting a job because there is such a shortage of registered nurses?

Mr. STROUP. That is true. In the Army only 70 percent accept the bonus pay. Part of that down-sizing in the Army could be because it was implemented late.

Mr. MURTHA. How does that compare with civilian pay? For instance, would the difference in pay be made up with the bonus?

Mr. STROUP. No, sir. Civilian pay across the nation, the average pay is $56,000 plus benefits for Nurse anesthetists.

Mr. MURTHA. What is the military pay?

Mr. STROUP. I was a Lt. Colonel with 22 years and I was making $46,000.

Mr. MURTHA. So you are still $6,000 short, even at your rank?

Mr. STROUP. Yes.

Mr. MURTHA. What do most of the people make?

Mr. STROUP. A senior captain, $32,000.

Mr. MURTHA. So obviously this bonus has impact on overall retention?

Mr. STROUP. Yes.

One suggestion I would make is the down-sizing of the military, is that cuts in personnel for anesthesia providers are proportionate among anesthesiologists and Nurse anesthetists. At the present time Nurse anesthetists in the Army are at about 90 percent of positions, where anesthesiologists are 151 percent of positions.

Mr. MURTHA. We will take a look at that. I have taken a personal interest in the entire medical field. I want to make sure, for a number of reasons, because I think people contracted for those medical services Also because it is a lot cheaper for us to have the services given in the service hospitals themselves. I appreciate the sacrifice that Nurse anesthetists have made and we will look at this again.

Do you believe that that bonus is the right size? Obviously we have got a big retention rate on the $6,000. Do you think that will continue to be enough?

Mr. STROUP. No, sir. I think that probably $10,000 would be a fair number, a fair amount.

Mr. MURTHA. Ten thousand dollars. We lost at least a percentage of those Nurse anesthetists and as it gets higher we will probably be able to retain an entire number?

Mr. STROUP. Yes, sir.

Mr. MURTHA. I appreciate your coming before the committee and your testimony. We will look it over carefully. It is something that we are very interested in and we appreciate you taking the time to testify.

Mr. STROUP. Thank you.

I would like my written statement placed in the record.

Without objection.

[The statement of Mr. Stroup follows:]

AANA

AMERICAN ASSOCIATION OF NURSE ANESTHETISTS
TESTIMONY FOR THE
U.S. HOUSE OF REPRESENTATIVES' COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON DEPARTMENT OF DEFENSE APPROPRIATIONS

May 2, 1990

My name is Dennis Stroup. I am a certified registered nurse anesthetist (CRNA), who is Co-Director of the graduate nurse anesthesia educational program in the School of Nursing, University of Pittsburg. I am a member of the American Association of Nurse Anesthetists (AANA), and also a retired Army Nurse having served most of my years in the service as a nurse anesthetist practitioner and educator. I am here before you, representing all of my colleagues of the AANA and appreciate this opportunity to testify before this Committee to present our concerns regarding the recruitment and retention of certified registered nurse anesthetists within the military services. The purpose of this testimony is to assure the availability of funds for the incentive pay bonus for CRNAs in Fiscal Year 1991.

INCENTIVE PAY BONUS FOR CRNAS

To begin with, we want to thank this Committee and its staff, and other Congressional members who supported the $6000 incentive pay bonus awarded to CRNAs this past year. From data we have been able to acquire from the military services, it would appear that the bonus has had a beneficial effect

American Association of Nurse Anesthetists 216 Higgins Road, Park Ridge, Illinois 60068-5790 (312) 692-7050

in retaining CRNAs this fiscal year. In following the effects of this bonus upon retention, the figures we have collected reflect the following:

EFFECT OF INCENTIVE PAY BONUS ON RETENTION OF CRNAS
WITHIN MILITARY HOSPITALS, FISCAL YEAR 1990
PRELIMINARY DATA

	U.S. Army	U.S. Navy	U.S. Air Force
Qualified for Bonus	246	115	222
Contracts Signed	173	98	196
Percent Accepting Bonus	70 %	85 %	88 %
Pending Contracts	32	3	4
Refused Contracts	22	14	22

The Army's figures reflect a significantly lower percentage of persons accepting the bonus to date as compared with the other two services. Part of this may be due to the lateness in the fiscal year when the Army implemented the bonus and perhaps all stations have not had time to report back their results. What cannot be deduced from these figures is how many of the Army's or other services' figures related to a refusal due to eligibility for retirement.

The pay differential between civilian and military salaries of CRNAs remains wide, with the average salary of CRNAs within the private sector in 1988 being $58,000 plus benefits. We believe that if the military chooses to maintain a competent, experienced group of CRNAs, the retention incentive bonus should

be upgraded to a minimum of $10,000 when considered is given to reauthorization and subsequent appropriation in FY 1992.

DOWNSIZING OF MILITARY AND MANPOWER NEEDS

It is obvious that the events in Eastern Europe, over the past year have given all Americans, and certainly the Congress, reason to consider possible change as it relates to manpower and other requirements for the military services over the coming years. AANA also recognizes that some downsizing of the military will result in at least cuts in active duty strength, and thus perhaps there will not be as large a requirement for health personnel in the future. From information we have heard, already there may well be planning by some CRNAs to leave the military service as soon as their commitments from education, promotion or other reasons are fulfilled rather than serve through a period of time not knowing to what extent their chances for remaining within the service during this period of downsizing will actually be. Certainly, the salary incentives are still of the nature, even with a bonus, to get out of service. The advertisements in our Association Bulletin, placed by CRNAs leaving the service and seeking special types of practice settings have significantly increased. While we have not surveyed those individuals for why they are leaving the service after 10-12 years in the military, our talks with military CRNAs continue to indicate pay as still a problem, with promotion potential continuing to run as the second most frequently cited cause.

AANA continues to hear of unwarranted restrictions being placed on CRNA practice in this past year. We are aware that the American Society of Anesthesiologists has passed a resolution at its last meeting and is pursuing efforts to get the Army to change its administrative organizational structure for CRNAs, creating a morale and potential retention problem. AANA has been informed that the CRNAs and the Army Nurse Corps is against such change.

The CRNA Manpower Study mandated by both the House and the Senate was reported this past month. It projects a need of 35,000 CRNAs by the year 2010, about double the number of active, practicing CRNAs we now have. We believe it very important that institutions, agencies, and military services, who utilize this valuable and limited personnel resource, make every reasonable effort to retain those they have, and to the extent possible help prepare others.

If downsizing of health personnel resources become a fact for the military, we believe the Congress should set some priorities for such action and would recommend consideration of the following:

1. Any personnel cuts should be done in a manner to assure a balance of providers for the services to be performed, rather than merely to cut unfilled spaces where they may exist.

2. Any personnel cuts should be aimed at protecting, to the extent possible, within constraints of a balance in health manpower resources, those health providers that are in short supply and which have a history of being difficult to retain and/or recruit.

3. Any reduction in health provider personnel should take into consideration the current problems associated with access to care by military beneficiaries within military health facilities.

4. Where substitution of personnel is possible, consideration should be given to maximizing the retention of spaces for the more cost-effective provider.

MILITARY EDUCATIONAL PROGRAMS FOR ANESTHESIA PROVIDERS

We believe this Committee should be aware that by the end of Fiscal Year 1990, the Army anticipates having 124 anesthesiologists while having only 82 authorizations for such personnel at this time, i.e. the Army will be at 151% strength for these physician providers. Plans are underway with the anticipated closure of Letterman Army Medical Center, as a part of the base closure effort announced last year, to move the medical anesthesiology residency program at Letterman to Madigan Army Medical Center in Tacoma, Washington. While the hope is that Madigan will be able to support both programs, Congress should monitor this, since historically the pattern has been to eliminate the nurse anesthetist educational program when clinical

teaching resources become tight in those institutions in which there are co-existing medical residency/nurse anesthesia educational programs. Further, if the media is correct, an Army division at Ft. Lewis, Washington, which Madigan supports, is slated to be deactivated making this scenario even more possible.

While the medical anesthesiology residency program is four years in length, the pay back time for this training is one year for one year of training, i.e. a total of four years. The nurse anesthetist educational program is only approximately 28 months in length and graduates from this program are required to pay back six years for the 28 month training period, i.e., 2.6 years for every one year of training. Further, the retention rate for nurse anesthetists following educational payback has been significantly higher historically than that for anesthesiologists. We believe such decision could be short-sighted.

SUMMARY

We thank you for this opportunity to address this Committee and urge you to fund the CRNA incentive retention payment for FY 1991. Again, we want to thank you for the interest you have shown in CRNAs and recognize that this

interest is based on your awareness of their vital role in military readiness and the national defense. It has been our contention, that the military is best prepared for war when it permits its personnel to function in a manner that maximizes personnel skills and enhances their capabilities and competences. We envision this Committee as not only a caretaker to assure the national defense, but also a caretaker of military personnel, including those charged with actual responsibility for the health care of our troops, their dependents, and other military beneficiaries. We appreciate the job you do. And we thank you.

WEDNESDAY, MAY 2, 1990.

NUCLEAR DISARMAMENT

WITNESS

JAMES A. YOUNG, SEVERNA PARK, MD

Mr. MURTHA. Mr. Dicks wants to be here for the testimony of Mr. Rottsolk, so we will hear Mr. James Young. Mr. Young.

STATEMENT OF MR. YOUNG

Mr. YOUNG. Honorable Chairman and members of the committee, thank you for allowing me this opportunity to present verbal testimony to Congress regarding Defense. As I previously submitted written testimony in February to this committee, I wish to reiterate the points made and add on additional matter concerning nuclear disarmament.

Basically, I stated that the Department of Defense problems could be made available to the committees of Congress and include not only unclassified data but classified data. Congress should evaluate that corrective measures should be instituted by the Department of Defense.

Funding at pre-1990 levels should be reduced based upon threat and advances in science and technology as well as management. I believe Congress in Senate Budget hearings revealed that the Department of Defense had approximately $100 billion in excess inventory of various items. Congressman Dingell of Michigan revealed that the Department of Defense has slush funds of $30 billion.

The Department of Defense typically requires five to seven years or longer to develop computers for Army, Navy, Marines, and Air Force. This results in antiquated computers throughout the Department of Defense. Therefore, I urge Congress to issue orders to the Department of Defense to utilize commercial computers wherever practicable, effective immediately.

In 1985, the Executive Branch of Government exceeded its authority granted by the Constitution of the United States, wherein the Assistant Secretary of Defense issued Directives demanding psychiatric evaluation of citizens of the United States seeking security clearances. Specifically, Directive 5220.6, dated August 12, 1985, is included by reference as an appendix (a few pages are provided to Congress). Those Directives are also an invasion of privacy by the United States. Therefore, I urge Congress to issue orders to the Department of Defense to rescind those Directives immediately.

I recently obtained an unclassified Atomic Energy Commission document on nuclear electromagnetic pulse. The document is included by reference and is distributed with my speech. In 1989 FEMA, Federal Emergency Management Agency, destroyed an IBM 4381 computer by use of wide band high power radio transmitters simulating the EMP, which would result from a hydrogen bomb blast. My analysis indicates that one or two nuclear bombs could completely destroy electric power lines; aircraft or jet, marine, car, truck and bus ignition systems; computers at food processing plants or clean water supplies; transistor radios and televisions; public and private telephone circuits; and various other

devices such as heart pacemakers, wherever wires could act as antenna and pick up the broad band radio frequency which lasts for approximately three nanoseconds after a hydrogen bomb blast. High altitude blasts would destroy most modern electrical devices which are an integral part of the civilization of the United States.

I understand Russia has approximately 13,000 hydrogen bombs and the United States 12,500 hydrogen bombs, more than enough to destroy Earth. Therefore, I urge Congress to urge the President of the United States to seek mutual nuclear disarmament with the Soviet Union and the Third World Nations.

Congress should pass legislation that creates a system engineering group that reports directly to Congress to evaluate the Department of Defense, Department of Energy, FEMA, NASA and other Agencies of the United States Government. The system engineering group would evaluate existing procurements and future procurements to prevent crises from developing due to changes in science and technology. The system engineering group should have authority to make emergency procurement and have authority to bypass all regulations if necessary.

Thank you for the opportunity to present my views regarding Defense. Please feel free to ask me any questions that you may wish to explore.

This concludes my prepared statement.

Mr. MURTHA. Thank you, Mr. Young.

Mr. McDade.

Mr. MCDADE. No questions. Thank you very much.

Mr. MURTHA. Mr. Dicks.

Mr. DICKS. Thank you very much, Mr. Young.

[The statement of Mr. Young follows:]

Speech by James Arthur Young, 861 Buckinghams Cove
Severna Park,MD 21146 May 2, 1990

House Appropriations Committee
Subcommittee on Defense

Honorable Chairman and Members of Committee:

Thank you for allowing me this opportunity to present verbal testimony to Congress regarding Defense. As I previously submitted written testimony in February to this Commitee, I wish to reiterate the points made and add one additional matter concerning Nuclear Disarmament.

Basically I stated that the Defense Department problems could be made available to the Committees of Congress and include not only unclassified data but classified data. Congress should evaluate what corrective measures should be instituted by the Department of Defense.

Funding at pre--1990 levels should be reduced based upon threat and advances in science and technology as well as management. I believe Congress in Senate Budget hearings revealed that the Defense Department had approximately 100 billion dollars in excess inventory of various items. Congressman Dingell of Michigan revealed that the Defense Department has slush funds of 30 billion dollars.

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jet, marine, car, truck, and bus ignition systems; computers at food processing plants or clean water supplies; transistor radios and televisions; public and private telephone circuits; and various other devices such as heart pacemakers wherever wires could act as antenna and pick up the broad band radio frequency which lasts for approximately 3 nanoseconds after a hydrogen bomb blast. High altitude blasts would destroy most modern electrical devices which are an integral part of the civilization of the United States. Therefore, I urge Congress to urge the President of the United States to seek mutual nuclear disarmament with the Soviet Union and Third World Nations.

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This concludes my prepared speech before this Subcommittee.

James Arthur Young

James Arthur Young
861 Buckinghams Cove
Severna Park, MD 21146
301 647-6651

Department of Defense

DIRECTIVE

August 12, 1985
NUMBER 5220.6

DOD, GC

SUBJECT: Defense Industrial Personnel Security Clearance Review Program

References: (a) DoD Directive 5220.6, "Industrial Personnel Security Clearance Program," December 20, 1976 (hereby canceled)

(b) DoD 5200.2-R, "DoD Personnel Security Program," December 20, 1979, authorized by DoD Directive 5220.2

(c) DoD Industrial Security Regulation 5220.22-R, February 29, 1984

(d) Title 18, United States Code, Section 1001

A. REISSUANCE AND PURPOSE

This Directive reissues reference (a) to update policy, the criteria, and procedures of the Defense Industrial Personnel Security Clearance Review Program under enclosure 2.

B. APPLICABILITY AND SCOPE

This Directive:

1. Applies to the Office of the Secretary of Defense, the Military Departments, Organization of the Joint Chiefs of Staff, and the Defense Agencies (hereafter referred to collectively as "DoD Components").

2. By mutual agreement also extends to other Federal agencies that include:

Department of Agriculture

Department of Commerce

Department of Interior

Department of Justice

Department of Labor

Department of State

Department of Transportation

Department of Treasury

Environmental Protection Agency

Federal Emergency Management Agency

Federal Reserve System

General Accounting Office

General Services Administration

National Aeronautics and Space Administration

National Science Foundation

Small Business Administration

United States Arms Control and Disarmament Agency

United States Information Agency

3. Applies to cases in which the Defense Industrial Security Clearance Office (DISCO) cannot affirmatively determine that it is clearly consistent with the national interest to grant or continue a security clearance for access to classified information by persons employed by U.S. industry, or to U.S. citizens who are direct-hire employees or selectees for positions with NATO and who require Certificates of Security Clearance in connection with direct employment by agencies of NATO, or to Red Cross or United Service Organizations (USO) employees nominated for assignment with the Military Services overseas. These cases must be referred to the Directorate for Industrial Security Clearance Review (DISCR) for action under this Directive.

4. Does not apply to cases in which a security clearance is withdrawn for administrative reasons with no finding of prejudice to a later determination as to whether the grant or continuance of applicant's security clearance would be clearly consistent with the national interest, or to cases in which an interim security clearance is withdrawn during an investigation.

5. Provides a program which may be extended to other cases at the direction of the Deputy Under Secretary of Defense for Policy, or designee.

ADDITIONAL PROCEDURAL GUIDANCE

1. When the Defense Industrial Security Clearance Office (DISCO) cannot affirmatively find that it would be clearly consistent with the national interest to grant or continue a security clearance the case shall be referred promptly to the Directorate for Industrial Security Clearance Review (DISCR) with a statement explaining the basis for referral.

2. Upon referral, DISCR shall make a determination promptly whether to grant or continue clearance, to issue a Statement of Reasons as to why it is not clearly consistent with the national interest to do so, or to take whatever interim actions, such as (a) to direct further investigation, (b) to propound written interrogatories to the applicant or other persons with relevant information, (c) to require the applicant to undergo a medical evaluation by a DoD Psychiatric Consultant, or (d) to interview the applicant in order to reach a final determination.

3. A security clearance shall not be denied or revoked unless the applicant has been provided with a written Statement of Reasons. The Statement of Reasons shall be as detailed and comprehensive as the national security permits. A letter of instructions with the Statement of Reasons also shall explain the applicant's right to have a hearing conducted and the consequences for failure to respond within the prescribed time frame.

4. To be entitled to a hearing the applicant first must have submitted a written answer to the Statement of Reasons under oath or affirmation which shall admit or deny each listed allegation. A general denial or other similar answer is not sufficient. The answer must be specific and must be submitted to DISCR within 20 days of the receipt of the Statement of Reasons. Requests for a reasonable extension may be submitted to the Director, DISCR.

5. When an applicant answers a Statement of Reasons as prescribed and a hearing is not requested by the applicant or by counsel (hereafter called Department Counsel) assigned to DISCR to present the case against the applicant, the determination will be made by the Examiner and will be based upon a review of the file of all relevant material which could be adduced at a hearing. The applicant will be given a reasonable time in which to submit documentary information in rebuttal, or to explain adverse information in the file.

Mitigating Factors (Where There has Been no Conviction or Admission):

1. Immaturity of the individual at the time of the offense.

2. Extenuating circumstances of the offense.

3. Circumstances indicating that the actual offense was less serious than the offense charged.

4. Isolated nature of the conduct.

5. Conduct occurring only in the distant past (such as, more than 5 years in the past) in the absence of subsequent criminal conduct.

6. Transitory conditions contributing to the conduct (such as, divorce action, death in the family) in the absence of subsequent criminal conduct.

Sexual Misconduct

Basis: Sexual behavior that makes applicable the guidance for criminal misconduct or mental or emotional illness, or which indicates that the applicant may be subjected to coercion, pressure, or influence to act contrary to the interests of the United States or which suggests recklessness, irresponsibility, or poor judgment.

Factors Which May be Considered in Determining Whether to Deny or Revoke Clearance:

1. The misconduct has been recent or frequent.

2. The applicant indicates explicitly or implicitly an intention to repeat the misconduct.

3. The applicant appears to be susceptible to blackmail.

4. The misconduct involves:

a. Open or public behavior;

b. A person under the age of 18;

c. Inducement or coercion by force or intimidation of another person;

d. Prostitution;

e. Sexual harassment.

Mitigating Factors:

1. Sexual misconduct on a limited number of occasions during or preceding adolescence, with no evidence of subsequent misconduct, and clear indication that the individual has no intention of participating in sexual misconduct in the future.

2. Activity occurred more than 3 years ago.

3. Subject does not appear to be susceptible to blackmail.

4. The applicant was a minor involved in an incestuous relationship.

Mental or Emotional Illness

Basis: An abnormal mental condition that may cause a significant defect in the judgment or reliability of the individual concerned.

Factors Which May be Considered in Determining Whether to Deny or Revoke Clearance:

1. Conduct reflecting abnormal behavior indicative of mental illness even though there is no confirming medical history.

2. Refusal by the individual concerned to furnish medical information or to allow medical information to be obtained for the purpose of determining the significance of bizarre behavior or conduct.

3. Documented spouse or child abuse.

4. Diagnosis by competent medical authority that an earlier incapacitating mental illness is of a type that has a high incidence of recurrence even though the individual concerned currently manifests no symptoms of mental or emotional illness.

Mitigating Factors:

1. No evidence of a psychotic condition for the past 20 years, a serious or disabling neurotic disorder for the past 10 years, or a serious character or personality disorder for the past 10 years.

2. Medical records and physician interview reflect that the person's illness or condition has not caused a significant defect in judgment or reliability.

3. The factor(s) causing the mental condition have been rectified.

4. Testimony of medical authority that continued aintenance of prescribed medication is likely to preclude recurrence of a condition effecting a significant defect in judgment or reliability.

Hostage and Foreign Connections

Basis: An applicant who has immediate family members or other persons to whom he or she is bonded by affection or obligation residing in a communist country or other countries currently hostile to the United States. These countries are of two categories:

Category I. Countries which, based on current assessment of the U. S. Intelligence Community, possess an intelligence organization with a demonstrated capability of recruiting and exploiting U.S. personnel for intelligence purposes.

Category II. Countries which, although having national intelligence objectives inimical to the United States do not have the capability of exploiting U.S. personnel for intelligence purposes or have not undertaken to target U.S. personnel for such purposes.

Factors Which May be Considered in Determining Whether to Deny or Revoke Clearance:

1. Residence of a member of immediate family or a person to whom the individual is bound by affection or obligation in a Category I country.

2. Travel, correspondence, or financial aid to Category I or Category II countries on a regular basis without satisfactory explanation.

3. Dating or cohabiting with a foreign national from a Category I country.

Mitigating Factors:

1. Individual has a member of his or her immediate family or person to whom they are bound by affection or obligation in a Category II country.

2. Individual's personal or financial interest in the U.S. appears sufficient to counter any potential pressure that might be bought to bear, such as, home owner with strong civic and community ties.

OAK RIDGE NATIONAL LABORATORY

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UNION CARBIDE CORPORATION

for the

U.S. ATOMIC ENERGY COMMISSION

ORNL-TM-2830

EFFECTS OF NUCLEAR EMP ON AM RADIO BROADCAST STATIONS IN THE EMERGENCY BROADCAST SYSTEM

D. B. Nelson

Approved for public release; distribution unlimited

BEST AVAILABLE COPY

1.5 NATURE OF THE THREAT

Although a strong electromagnetic pulse is produced by both low altitude and high altitude detonations, a number of factors combine to make the high altitude case the more serious for the EBS. Broadcast antennas and transmitter buildings are fairly soft to damage by blast and debris with extensive damage expected at the five p.s.i. level or greater. The EMP from a surface burst is reduced fairly quickly as distance from the detonation point increases. For all but very small weapons (few KT) the EM environment on the five p.s.i. contour is less severe than that produced by a high altitude detonation, for which there are negligible blast effects on the ground. If the station is heavily damaged by blast effects, whatever EMP damage occurs is inconsequential.

From a systems standpoint the difference in EMP area coverage between high and low altitude detonations is also important. For a low altitude or surface burst the area over which EMP damage could conceivably occur to an EBS broadcasting station, but blast damage would not occur, is an annulus with inner radius of a few kilometers and outer radius of a few tens of kilometers for a total area of a few hundred or thousand kilometers. But for a high altitude burst this area is a circle with a radius greater than one thousand kilometers: a total area of millions of square kilometers, or a large fraction of the U. S. For a high altitude detonation nearness to probable target is not a meaningful concept; most stations are at risk from most bursts.

High altitude bursts are no longer unlikely. The deployment of our Safeguard ABM system will include Spartan megaton-range warheads to be used at altitudes greater than one hundred kilometers. In addition, the high altitude detonation of offensive missiles to produce EMP effects on the ground should not be ruled out. The launch of one or a few FOBS missiles* just before the launch of the first heavy wave, timed so that detection of the FOBS missiles occurred not earlier than detection of the heavy wave, would incur no penalty to the attacker of increased warning time for the defender. If the FOBS missiles were detonated in orbit at a height of 150 to 300 kilometers, intense EMP could be produced over most of the U. S. after at most three to four minutes of warning time. This is

*FOBS: Fractional Orbit Bombardment System.

and at best would allow only one or two minutes of warning message broadcast before the first, or perhaps several, EMP pulses were produced.

In any realistic encounter the number of high altitude defensive and offensive bursts is likely to be many dozens or perhaps hundreds spread over a few minutes or hours. Because most stations will receive the pulse from most bursts, one must consider effects of many pulses in a short time. The simplest new effect is the increased probability of damage due to simple combination of independent single pulse damage probability. Even if the single pulse damage probability, p, is small, the probability that damage will occur during one of n pulses is $1 - (1 - p)^n$. For $p = .1$ and $n = 50$ the total damage probability is 0.995, or almost certain damage. The situation is usually more complicated because parts weakened during one pulse may be more susceptible to damage during succeeding pulses; also a circuit breaker which opened at one pulse may preclude damage at the next, etc.

The fields produced by a single high altitude detonation can have considerable variation of amplitude, time dependence, and direction, depending upon yield, height of burst, location of observer, and orientation with respect to the geomagnetic field. One can, however, define a typical field environment which will not exceeded by a significant amount, nor is it much greater than the average which might be expected; i.e., it is close to a worst case without being too far from the average. Figure 1.1 shows the electric and magnetic field strengths near the ground as functions of time for this typical environment. One graph suffices for both, because as a free space plane wave the ratio of electric to magnetic field strength is constant. Direction of the fields is arbitrary, except that the electric field, E, must be perpendicular to the magnetic field. The reason for this is that different orientations of observer and burst can produce any polarization of the fields.

The fields shown in Figure 1.1 are the incident fields, those which propagate towards the earth. The reflection of thse fields from the ground must in general be considered when determining the total (measured) fields at a given point. The total fields can be either larger or smaller than the incident fields depending upon polarization.

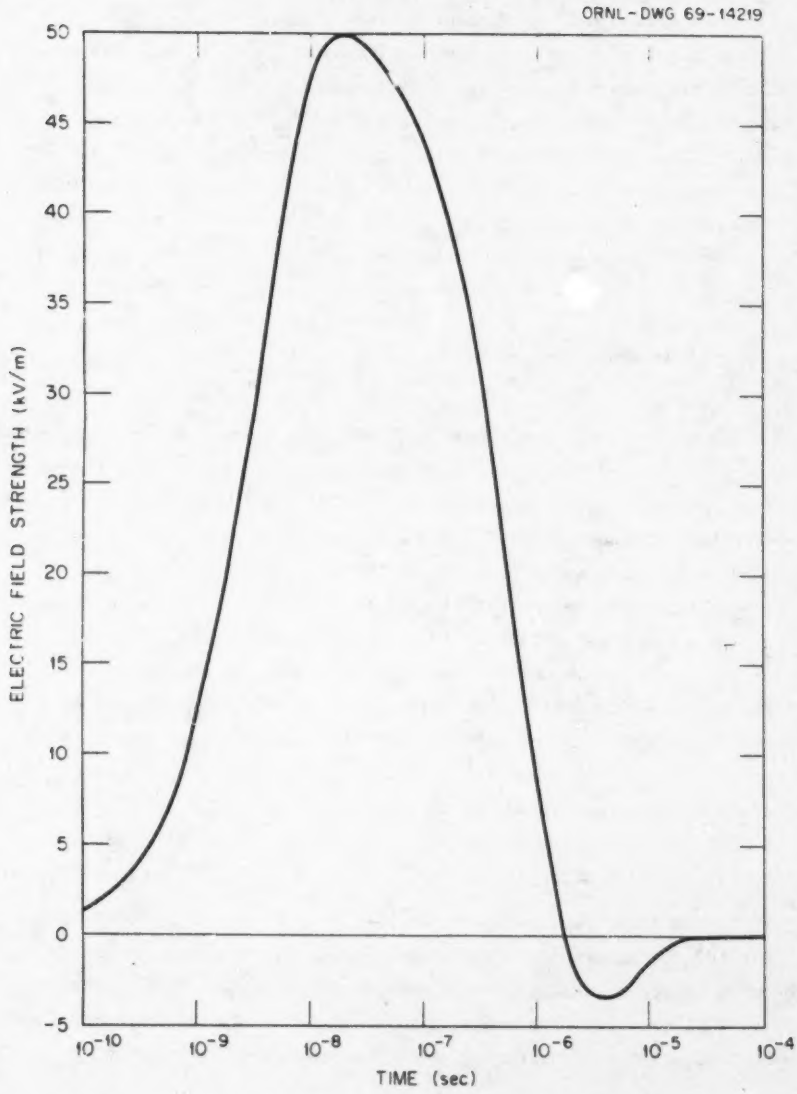

Figure 1.1. Electric Field Strength as a Function of Time for the Representative EMP.

The fields given in Figure 1.1 have an analytic representation in terms of exponentials: the incident electric field, E_i, is given by

$$E_i(t) = E_0 \left[e^{-\alpha t} - e^{-\beta t} - A(e^{-\gamma t} - e^{-\delta t}) \right] \qquad (1.1)$$

where t = time in seconds

$\alpha = 1.5 \times 10^6$

$\beta = 2.6 \times 10^8$

$\gamma = 2.0 \times 10^5$

$\delta = 5.0 \times 10^5$

$A = \dfrac{\alpha^{-1} - \beta^{-1}}{\gamma^{-1} - \delta^{-1}}$

$E_0 = 5 \times 10^5/.9646$ volts/meter

The first pair of exponentials (involving α and β) form a pulse with a rise time of two shakes and a width at half maximum of 45 shakes. The second pair produce a negative pulse which lasts about 25 microseconds. For many analyses the influence of this second pulse is negligible. The fact of its presence is known more on theoretical than experimental grounds; it serves to make the total time integral of the pulse vanish. The time for this to occur is approximately the relaxation time for the upper atmosphere.

The fields comprising the EMP induce currents in conductors in precisely the same fashion as any electromagnetic fields, e.g. radio waves. However, because EMP is a pulse, one cannot ascribe to it a single frequency, in contrast to radio waves. The energy content at different frequencies can be studied via the Fourier transform, which for $E_i(t)$ defined by (1.1) leads to the function $E_i(\omega)$:

$$E_i(\omega) = \frac{E_0}{\sqrt{2\pi}} \left[\frac{1}{\alpha + i\omega} - \frac{1}{\beta + i\omega} - \frac{A}{\gamma + i\omega} + \frac{A}{\delta + i\omega} \right]$$

The energy content is then proportional to $|E_i(\omega)|^2$, the energy spectral density. This is presented in Figure 1.2, normalized to the peak

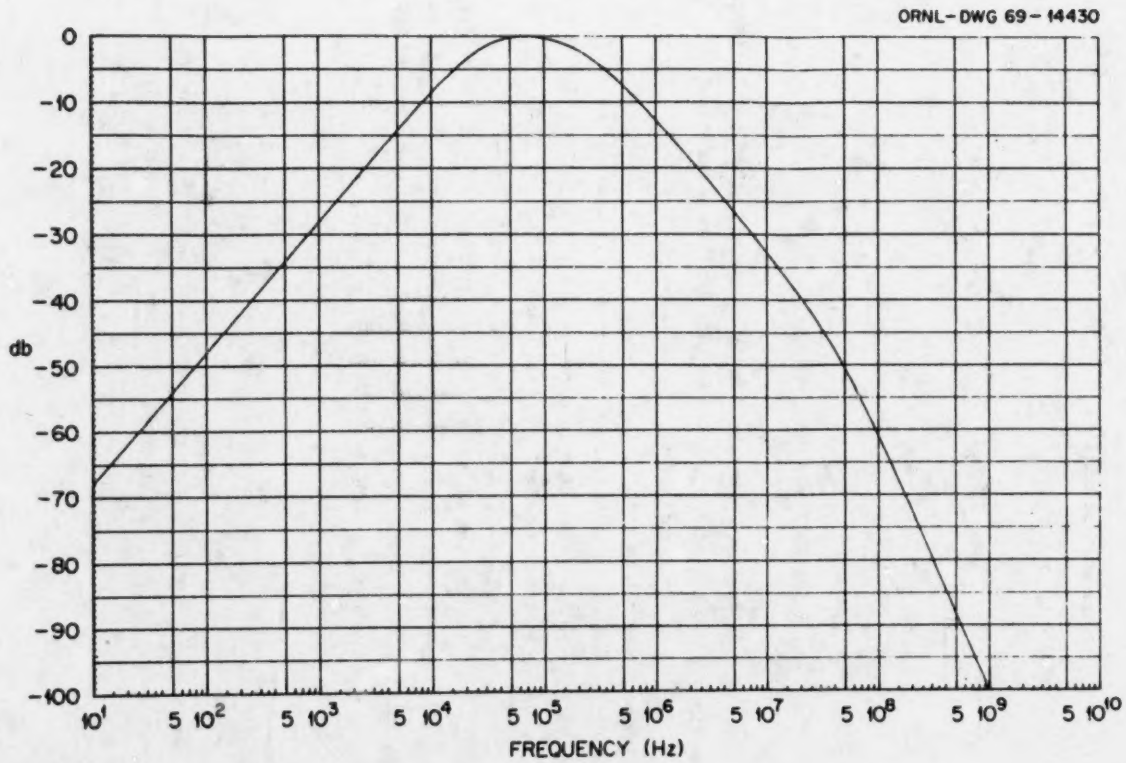

Figure 1.2. Normalized Power Spectrum for the Representative EMP.

value of 0.075 volts/meter-hertz which occurs at ω_o = 700 kHz. The ordinate is in decibels:

$$10 \cdot \log \left[\frac{|E_1(\omega)|^2}{|E_1(\omega_o)|^2} \right]$$

Because the spectrum extends from a few hertz up to several hundred MHz (depending on how one defines the cutoff point), the EMP is quite broadband. From an equipment standpoint, this fact means that EMP is difficult to filter and can couple into circuits resonant at a wide range of frequencies. In particular for the broadcast band, we note that the energy density peaks in this band, and even at 1.5 MHz, it is down only about 15dB. This fact indicates that EMP should couple well to broadcast antennas and pass without significant attentuation through transmitter tuned circuits. We shall see that this is true.

WEDNESDAY, MAY 2, 1990.

TERA COMPUTER COMPANY

WITNESS

JAMES E. ROTTSOLK, PRESIDENT AND CHIEF EXECUTIVE OFFICER, TERA COMPUTER COMPANY.

INTRODUCTION

Mr. MURTHA. Our next witness is Mr. James Rottsolk with the Tera Computer Company. Mr. Dicks.

Mr. DICKS. I wanted to welcome Mr. James. E. Rottsolk, who is President and Chief Executive of Tera Computer Company, and would like to have him present his testimony at this time to the committee.

Welcome, glad to have you here.

STATEMENT OF MR. ROTTSOLK

Mr. ROTTSOLK. Mr. Chairman, members of the committee, thank you for permitting me this opportunity to appear before you.

HIGH PERFORMANCE COMPUTING INITIATIVE

The purpose of my testimony is to urge this committee's support for the high performance computing initiative and to request that appropriations be made this year to the Department of Defense to enable it to begin the initial phases of this very important program.

Tera is a new supercomputer company founded in 1987. We have been supported by the Defense Advanced Research Projects Agency since 1988. Our first product will be capable of performing up to 300 gigaflops per second, or more than 100 times faster than today's supercomputers. Our current research and development schedule anticipates completion of a prototype machine in 1992 and delivery of a first production machine in 1993.

FEDERAL RESEARCH FUNDS

This schedule, however, is contingent on federal financial support. In fact, the very success or failure of our company, as well as that of other companies in this field, depends upon continued support by DARPA and other federal agencies. Private dollars to support research and development in this high technology field are not abundant, and those that are available must be leveraged by federal dollars. Given the fact that the United States Government is the market for the newest and fastest supercomputers, support of this fragile industry with federal research funds and commitments to early purchases of new systems is wholly justified.

SUPERCOMPUTERS

Mr. Chairman, you are most likely aware of the high performance computer initiative. This program to support high speed computer development is a joint initiative by the Office of Science and Technology Policy and the Congress, is the culmination of ten years of multiagency study. The National High Performance Com-

puting Technology Act is currently pending before the Senate and the House. We hope that this bill will be passed and its various programs implemented before the end of this Congress.

The Department of Defense has relied upon high speed computers as both basic research tools and essential components in deployed systems for years. Weapons systems key to our national defense would not have been possible without the help of the newest and fastest supercomputer systems. The simulation capabilities of these systems have allowed us to design new generations of nuclear weapons with far fewer nuclear tests. These systems are essential to the missions of our intelligence agencies.

In addition, closely related missions of other federal agencies, particularly those of the DOE laboratories and of NASA, have similar requirements for supercomputers. Research problems remain, which require much more capable and faster supercomputing. Supercomputing then is an enabling technology. Without advances in high speed computing continued scientific and consequently, strategic and economic advancement will be hindered.

Without a strong domestic supercomputers industry, U.S. projects will fail to meet their objectives, or will become dependent upon foreign manufacturers to do so. Such a failure is not necessary if timely federal support of supercomputers research and development is available.

SUMMARY

Mr. Chairman, I realize that legislation to authorize the national high performance computing program is pending and is not yet law. However, I believe it is incumbent upon this committee to waste no time and to move forward with the appropriation of monies for fiscal year 1991. The American supercomputers industry stands on unsteady ground. We have already witnessed the closing of one supercomputer company and the schism of another. Time is short and the cost of a national failure in supercomputing is very high.

I hope that we can rely on your continued leadership in this field and on our continued dedication to maintaining the superiority of America's research capabilities. I thank you for your kind attention to my remarks and am happy to answer any questions you may have.

[The statement of Mr. Rottsolk follows:]

Statement of James E. Rottsolk

President and Chief Executive Officer

Tera Computer Company

before the

Defense Subcommittee

of the

Committee on Appropriations

United States House of Representatives

May 2, 1990

Mr. Chairman and Members of the Committee, thank you for permitting me this opportunity to speak for the record on the subject of the fiscal year 1991 budget. The purpose of my testimony is to urge this committee's support for the High Performance Computing Initiative, presently pending before the Senate and the House, and to request that appropriations be made this year to the Department of Defense to enable it to begin the initial phases of this very important program.

My name is James E. Rottsolk and I am President and CEO of Tera Computer Company located in Seattle, Washington. Tera, a new supercomputer company, was founded in 1987, and has been supported by the Defense Advanced Research Projects Agency since 1988. Our corporate mission is the development of the next generation supercomputer. Tera's first product will be capable of performing up to 300 gigaflops per second, more than 100 times faster than today's supercomputers. Our current research and development schedule anticipates completion of a prototype machine by 1992 and delivery of our first Tera machine in 1993.

This schedule is contingent on federal financial support. In fact, the very success or failure of our company, as well as that of other companies in our field, depends on continued support by DARPA and other federal agencies. Private dollars to support research and development in this high technology field are not abundant and those that are available must be leveraged by federal dollars. Given the fact that the U.S. government is the market for the newest and fastest supercomputers, support of this fragile industry with federal research funds and commitments to early purchases of new systems is wholly justified.

Mr. Chairman, you are most likely aware of the High Performance Computer Initiative. This program to support high speed computer development is a joint

initiative by the Office of Science and Technology Policy and the Congress and is the culmination of ten years of multi-agency study. The National High Performance Computing Technology Act is currently pending before the Senate and the House. We hope that this bill will be passed and its various programs implemented before the end of this Congress.

The Federal High Performance Computing Program has the best potential to strengthen our national competitive position both directly, in high speed computing, and indirectly in the new research, product development and manufacturing that are made possible by these fast computers. The Plan is a comprehensive and interdisciplinary program for federal action that will involve the participation of the National Science Foundation, the Department of Commerce (NIST, NOAA, and NTIA), NASA, the Department of Defense, the Department of Energy, the Department of Health and Human Services (NIH) and other federal agencies as appropriate. Although high speed computing is important to many of the programs of these agencies, I will address the remainder of my remarks to the importance of supercomputing capabilities to the Department of Defense mission.

The Department of Defense has relied upon high speed computers as both basic research tools and essential components in deployed systems for years. Weapons systems key to our national defense would not have been possible without the help of the newest and fastest supercomputer systems. The simulation capabilities of these systems have allowed us to design new generations of nuclear weapons with far fewer nuclear tests. These systems are essential to the missions of our intelligence agencies. The necessity of designing systems with low-detection characterisitics and developing technologies that ensure our surveillance

capabilities under the sea and in the air require continual advances in high speed computing.

Closely related missions of other federal agencies, particularly those of the DOE laboratories and NASA, have similar requirements for supercomputers. Research problems remain which require much more capable and faster supercomputing. Among the grand challenges requiring faster supercomputers are global climactic modelling, the human genome project, the Superconducting Super Collider, lasar fusion research, aerospace vehicle design, oil and gas discovery, weather prediction, cell biology, drug design and a variety of fundamental physics and astronomy questions. For example, the enormous data which will be collected in new experiments with the Superconducting Super Collider will not be analyzable without the aid of high speed computing. Similarly, both the discovery of new oil and gas reserves and the efficient extraction of known reserves is enhanced dramatically by the use of supercomputing to analyze geological data and model reservoirs.

Supercomputing is an enabling technology which leads to greater industrial productivity. Without advances in high speed computing, continued scientific (and, consequently, economic) advancement will be hindered. Without a strong domestic supercomputer industry, U.S. projects will fail to meet their objectives, or will be dependent on foreign manufacturers to do so. Such a failure is not necessary if timely federal support of supercomputer research and development is available.

Mr. Chairman, I realize that legislation to authorize the National High Performance Computing Program is pending and is not yet law. However, I believe it is incumbent upon this committee to waste no time and to move forward with

the appropriation of monies for fiscal year 1991. The American supercomputer industry stands on unsteady ground. We have already witnessed the closing of one supercomputer company and the schism of another. General purpose supercomputer manufacturers now consist of four companies: Cray Research Incorporated, and three new firms, Cray Computer Company, Supercomputer Systems, Incorporated, and Tera Computer Company. Time is short and the cost of a national failure in supercomputing is very high.

I hope that we can rely on your continued leadership in this field and on your continued dedication to maintaining the superiority of America's research capabilities. I thank you for your kind attention to my remarks and am happy to answer any questions you may have regarding this testimony or any other points that may be of interest to you and your committee.

DARPA FUNDING

Mr. DICKS. Mr. Rottsolk, you mentioned in your testimony that Tera's schedule for next generation supercomputers is contingent upon continued federal financial supports. As you probably know, in the past week, the Bush Administration asked Mr. Craig Fields to leave his post as Director of DARPA. Mr. Fields had encouraged the channeling of federal funds into high technology areas which had potential civilian applications. His removal, in addition to the projected decline in DARPA's budget of 11 percent in fiscal year 1990 and fiscal year 1991, suggests that the Administration is determined to restructure the role of Federal Government funding in certain high technology areas. How do you foresee the impact of these recent changes at DARPA on your company and other high technology companies.

Mr. ROTTSOLK. First of all, without funding, this initiative and this high speed computing program will not proceed and companies such as ours will certainly miss our schedules in development.

Mr. DICKS. Are there other sources of federal funding for this kind of effort?

Mr. ROTTSOLK. Supercomputers are used by a wide variety of federal agencies in their fulfillment of their mission, in particular NASA, DOE labs, and Livermore National Laboratories, are very dependent upon supercomputers as are direct Department of Defense agencies, such as the National Security Agency. Our customers initially will be those U.S. agencies that buy the very large systems.

Mr. DICKS. Does anybody else fund R&D?

Mr. ROTTSOLK. Not currently.

SUPERCOMPUTING TECHNOLOGIES

Mr. DICKS. In your testimony, you pointed out that supercomputing was an enabling technology which would lead to overall, enhanced industrial productivity. What kind of effects would a slowdown in the development of supercomputing technologies have on the U.S. economy and U.S. competitiveness?

Mr. ROTTSOLK. Supercomputers should be viewed as a tool that enables us to advance in a wide variety of fields. Many have direct military applications. Many fulfill missions of other agencies. Inevitably, there are commercial applications as well. Drug design is very dependent—the design of new drugs, for example, and the discovery of oil and extraction of oil is very dependent upon advances in supercomputing.

COST-SHARING

Mr. DICKS. Some members of Congress have contended that the United States can no longer afford to support large, billion dollar projects without international cost sharing. In fact, today the House will consider a bill to authorize $5 billion in federal funds to develop and build the superconducting supercollider. The remaining costs will be picked up by non-federal sources, including international sources.

Mr. Rottsolk, what is your opinion on international cost sharing, and what kind of effect will cost sharing have in the long run for the U.S. economy?

Mr. ROTTSOLK. I don't know if I am qualified to answer that. In the supercomputing field, we haven't seen any evidence of this kind of cooperation on an international scale. There has been a lot of competition primarily from Japan, but also from Europe.

Mr. DICKS. Could you expand on the developments of other countries in the supercomputing field?

Mr. ROTTSOLK. Both Europe and Japan have longstanding government funded programs in the high speed computing arena. As recently as this week the New York Times said the Japanese Government, through Mitsui is embarking on a new program to further develop in the highly parallel processing supercomputers arena. They are heavily funded large programs.

ADVANCED TECHNOLOGY PROGRAM

Mr. DICKS. As you may be aware, a significant shift in favor of increased federal funds for research and development occurred last year, with the decision to appropriate $10 million to the advanced technology program within the Department of Commerce. During the Reagan years, this program remained unfunded. In your opinion, what kinds of roles can a civilian technology agency, modeled after DARPA, play in the development of the U.S. supercomputers industry?

Mr. ROTTSOLK. That is a very complicated question. Our principal mission is to serve—help the federal agencies fulfill their missions. To the extent that there were a civilian agency comparable to DARPA——

Mr. DICKS. Funding various high technology——

Mr. ROTTSOLK. What concerns me is that it is not so clear for a civilian agency to determine what the priorities are, whereas federal agencies do have missions to fulfill.

Mr. DICKS. You don't really care where it is funded as long as there is a place where you can go to get R&D money for your effort, right?

Mr. ROTTSOLK. I am not particularly concerned what the source of the funding is, no.

Mr. DICKS. A lot of us on this committee would like to see DARPA do more of these critical technology items, because we think it is essential to competitiveness of the United States economy. That is being resisted by the Administration. Some suggest that it would be better if we had a civilian agency to take on these high technology, high risk initiatives.

Mr. ROTTSOLK. I believe if we are to focus on industrial development it may be most appropriate to have such an agency.

DISTRIBUTION OF FUNDS

Mr. DICKS. One of the main underlying issues touched upon in your testimony and central to the broader debate in Congress about federal research and development funding is the distribution of funding over three main areas: basic research, manufacturing process technologies and high technologies. Could you expand on

the potential costs and benefits of channeling federal funding into one of these areas over the others—basic research, manufacturing process technology, and high technology?

Mr. ROTTSOLK. I think it is essential that we continue to fund basic research as well as high technology. Given the increasing pressures on the budget it becomes very easy to cut research and development expenditures as opposed to manpower cuts, or whatever.

Mr. DICKS. What do you think of DARPA's approach so far to this issue?

Mr. ROTTSOLK. DARPA has been a very good partner for us, a very helpful partner.

Mr. MURTHA. What happened at DARPA? Do you have any inside information about why Mr. Fields—I talked to Secretary Cheney. He said he was promoted and moved to another field. Is that what you heard?

Mr. ROTTSOLK. That is essentially what I have heard. I wish I knew the answer.

Mr. MURTHA. Thank you.

Mr. McDade.

Mr. MCDADE. No questions.

WEDNESDAY, MAY 2, 1990.

FISCAL YEAR 1991 ARMY BUDGET REQUEST

WITNESS

ROBERT L. McDANIEL

INTRODUCTION

Mr. MURTHA. Our next witness is Mr. Robert McDaniel. Mr. McDaniel.

STATEMENT OF MR. MCDANIEL

Mr. MCDANIEL. Thank you, Mr. Chairman. I appreciate the opportunity to appear before the committee and to discuss three different areas related to Army budget, with which I believe I have special concerns, and I believe special knowledge and understanding.

FISCAL YEAR 1991 DEFENSE BUDGET

The first is the division of the Army budget overwhelming to maintaining force structure as opposed to modernization. For the last six years and extended through the POM submitted last Monday, the budget is so overwhelmingly committed to force structure, that research, development and procurement accounts are very severely eroded, and the obsolescence of our military material is increasing everyday.

The new POM suggests reducing soldier strength to 560,000 troops from a current strength of 764,000, a 20 percent reduction through 1997. Considering the inordinate escalation of weapons systems cost over economic inflation, this reduction of troops, coupled

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with the budget, would just further the obsolescence. It is extremely important that we maintain a strong industry that is competent to develop and produce our weapon systems.

If we do not fund that industry to develop and produce weapons on a consistent basis, we will lose that industry and it will not be able to develop and produce the weapons when we may need them. I believe that the national security interest requires that we maintain a core of highly professional soldiers and we also must maintain a highly capable defense industry both capable of rapid expansion, but at least for the Army, the current budget allocations do not allow for that, and the new POM aggravates the problem.

HELICOPTER PROGRAMS

The next subject is seriously obsolescent inventory of Army helicopters. The Army operates nearly 9,000 helicopters, many of which will be over 40 years old before they can be replaced. Over 10,000 are in the light category. Almost ten years ago the Army developed a program to replace 7,000 aircraft on an orderly basis. However, that program, designated LHX, evolved through much turbulence and has lost initial focus. Of the 7,000 aircraft scheduled to be replaced, 6,000 of those are utility helicopters, and 1,000 are light attack helicopters.

The current program has evolved to a program that provides no replacement for the utility helicopters and finds the light attack helicopter, which is a typical competitor to the Army's newest, most modern helicopter, the Apache. Failure to provide a light utility helicopter to our forces will result in continued diversion of the Black Hawk assault helicopter to utility roles with adverse effects on the ability and effectiveness, and we see very good evidence of that everyday as Black Hawks fly in and out of the Pentagon pad to carry staff officers instead of carrying assault operations as it should.

LHX HELICOPTER

A third subject is the program LHX as currently structured. As one currently structured it has unrealistic and incompatible goals that are inconsistent with the budget and schedule. So the program has inordinate risk. There are many features that cause this high risk, but primarily the very stringent stealth specifications associated with this development for which there is not an adequate technology base. I do not think this program should proceed, but if it is to proceed, I suggest that it be modified to reduce risk by taking the following three steps.

First, increase competition by having a fly-off of the two contending design teams through a full system to reduce redundancy.

Second, extend the period of development by at least three years so that the severe technical challenges facing the program can be approached on a more orderly basis.

Third, provide for the incorporation of the best features from the losing design onto the wing design. Both designs have many new and unique features, such as new guns, new FLIRs, mounted automatic sights, and it would be a travesty, I believe, to have the best

FLIR lost for the service of our country, because it happened to be on the wrong air frame.

I expand on each of these three subjects in the prepared remarks.

Mr. MURTHA. Thank you, Mr. McDaniel. Your entire statement will appear in the record and I appreciate your comments.

[The statement of Mr. McDaniel follows:]

STATEMENT OF ROBERT L. McDANIEL
TO
THE DEFENSE SUBCOMMITTEE
HOUSE APPROPRIATIONS COMMITTEE

I am pleased to have been afforded the opportunity to testify to this distinguished Committee regarding appropriations for the Army. I strongly believe that the Army budget request is seriously flawed and does not represent an appropriate expenditure in support of our national security interests. Although there are many areas of concern within the current budget request that this Committee will be considering, there are three areas with which I have special concern and, I believe, an insight that warrants consideration in your deliberations. These areas are-

1. A disproportionate allocation of funding to maintaining force structure at the expense of force modernization and maintenance of a viable industry base,

2. The beginning of a $40+B acquisition of LHX, a helicopter that fails to address either the serious obsolescence in the Army's current helicopter inventory or to provide a system capable of substantial performance advantage over potential threats, and

3. A development plan for LHX that will incur inordinately high developmental risk because the programmed funding and schedule is inadequate to the configuration defined by the Army.

I address you as a former member of the Army with concerns regarding its future but with no personal financial interest in the matters discussed with this statement. I believe that the statements themselves will demonstrate my qualifications to speak on these three areas.

A. ARMY BUDGET ALLOCATIONS DURING THE DECADE OF THE 90's

1. **THE FRAMEWORK**: All of our national leaders in defense matters have said in one form or another that political realities will result in decreased budgets and that force structures will be reduced in size. However, it is significant that they have all also affirmed that these smaller forces will be kept modern and ready (not hollow, that is).

This theme was well expressed in a recent article by former assistant secretary of defense Richard Perle in which he said:

> "First, we should reduce the armed forces to reflect the lessened Warsaw Pact threat while maintaining the quality of the smaller residual force, especially as regards the cadre necessary to re-establish larger forces should that become necessary. Second, we should protect research and development and the industrial base so that we can reconstitute advanced military capabilities should the need arise."

It is unlikely that any national leader in either the Executive or Legislative branches would disagree with this thesis, at least in principle. How then can the framers of the Army's FY91 budget request and outyear plans rationally argue that an adequate RDA program cannot be maintained now because 26 divisions must be retained in the force structure? Although the recent Army Program Objective Memorandum projects a reduction in active troop strength to 580,000 and 23 divisions, the associated bufget allocation is still overwhelmingly to maintenance of force structure at the expense of modenerization and maintenance of a viable industry base.

The principal challenge for our national leaders in defense matters in the coming years is to adhere to and manage the "smaller but modern and ready" commitment, and to assure that budget allocations truly reflect that posture. The Army's FY91 budget request is not an auspicious start.

It is my intent to argue that budget limits are the reality of the current environment and that force structure should be modern but should be sized to budget realities. It is left to others to argue that the current force size is determined by a rational national strategy and that fiscal allocations should be increased to sustain a modern force whose size and structure is compellingly determined by a defined strategy.

2. **RESEARCH AND DEVELOPMENT**: It is axiomatic that a truly modern force needs modern weapons systems supplied by a vigorous defense industry. A full spectrum of modern weapons availability requires-

a. The establishment and maintenance of a dynamic, full spectrum research and development program essentially independent of force size, or

b. A dramatic breakthrough in truly interdependent weapons development in cooperation with our Allies.

Because more than 20 years of well intentioned efforts to establish an effective cooperative and interdependent weapons development program have not been successful, it would not appear prudent for the U.S. to depend on such a course now. In fact, as our Allies rush to reduce their own budgets, their R&D efforts will suffer, so fewer opportunities for acquisitions of European developed weapons system will be likely. If the U.S. is to manage its own destiny, it must maintain a viable, fully structured R&D program to assure the availability of modern weapons for our forces.

As a Great Power and the leader of the free world in defense matters, the U.S. has an obligation to maintain a robust defense posture containing a ready force equipped with modern weaponry supplied by a capable defense industry. No national leader would say otherwise, at least for non-nuclear tactical weapons.

The maintenance of a viable RDA program is an especially difficult concept to implement for the Army for two basic reasons. First, the Army R&D program has not yet recovered from the devastation of the seven year "Reign of Ambrose", during which new development starts were severely disrupted. Secondly, for the past several years and currently, Army management has exhibited such an obsession with maintaining a 28 division force structure, or at least the facade of such a force structure, that the allocation of funding available to the Army has substantially shifted away from RDT&E and procurement accounts.

Because development lead times are so long, it is not prudent to reduce the level of R&D efforts during periods of reduced potential for war or when war may not appear imminent. History has shown all too clearly that whatever the perceptions of today's threat, tomorrow will bring a change. Further, that change could come with alarming rapidity.

It is well to remember that we fought World War II largely with weapons whose developments were begun during the economically austere pre-war period. In fact, every U.S. aircraft that saw combat in that war was the product of a development started prior to our entry in the war.

There may not be a clear definition of what an "adequate" R&D program may be. However, it is suggested that a viable Army R&D program should include <u>at least</u> one major prototype effort, one major full scale development, and two major system upgrades in each major weapons system category, categories to include armor, fire support, communications, aviation, etc.

Since each of these categories include five or more major systems, even this level of R&D intensity would see many important systems with more than 20 years service before a more modern replacement would become available. It would be difficult to argue that a program of lesser scope would provide the basis for an Army equipped with truly modern weapons.

The concept of at least one major development in each functional category would approximate the level of developments in the post-Vietnam period when the Army was developing the "Big Five" plus other important systems such as Pershing II and TriTac. It would be expected that successful developments would lead to production procurements, but not necessarily so.

The case for frequent prototyping has been made overwhelmingly by the Packard Board and others and endorsed at every responsible level of management, but the concept has been sadly lacking in implementation. It would be expected that many but not all prototype efforts would lead directly to a full scale development on the pattern of Assault Breaker to ATACMS, FOG-M to NLOS, and Tank Breaker to AAWS-M. The emphasis of the prototype efforts should be on advanced technologies or innovative weapons concepts whose utility or feasibility is in some doubt.

Major system upgrades provide an economical means of achieving increased capability at a very modest cost, at least for two or three steps. This function also helps maintain competent design teams in industry since we cannot afford to exercise each of our design teams on full scale developments frequently enough to maintain competency.

In addition, a viable R&D program must be supported by a viable technology base and a healthy IR&D allocation. The Army's technology base efforts have been severely constrained in recent years; the result will surely be adverse consequences for years to come.
Adequacy of the technology base effort has been reviewed by the Army Science Board and others who have consistently argued for a tech base effort on the order of $2B a year or so compared with an FY91 request of $0.77B.

The annual budgetary requirement to maintain a level of R&D described above must be derived in some detail but is estimated to be on the order of $15B, but may well be larger. This compares to the FY91 request of $6.0B.

To attain that goal would require a reallocation of about 12 percent of the Army's total FY91 budget request. Is that a reasonable reallocation? To argue otherwise would require a more detailed definition and costing of an R&D program that reasonably addresses the developments essential to produce an array of modern weapons on a continuing basis.

<u>However, those that would argue that an adequate R&D program cannot be afforded now because the current threat warrants the retention of 26 ready divisions through FY91 and 23 thereafter shoulder a task that defies rationality</u>.

3. **PROCUREMENT**: Continuing procurement at about 1985 levels is important to both a modern Army force structure and to a viable industry base. It is true that near term budgets are not expected to be at 1985 levels in real terms, but the recent changes in the perceived threat warrant force structure reductions that could sustain a healthy acquisition program within reasonable budget expectations.

Contrary to a general perception, the Army is not now substantially equipped with late generation materiel. For example, only 6,804 of an inventory of 15,984 tanks are M-1 Abrams series, and the inventory of 4,638 Bradley Fighting Vehicles is small compared to the 18,841 M-113 series vehicles in inventory. Only 1,812 of the Army's helicopter inventory of 8,643 helicopters are Blackhawk and Apache generation systems. Even M-1, Bradley, Blackhawk, and Apache represent designs more than 15 years old, and replacement developments for these systems are in the uncertain future.

The aviation situation is even worse than these numbers would indicate because no helicopters are maintained in War Reserve or POMCUS stockage, a unique deficiency among major materiel items in the Army. A similar accounting of infantry weapons, artillery cannon, air defense systems, and communications equipment would display similar or worse obsolescence of current inventory.
A major force structure reduction could provide a basis to salvage much of this obsolescent inventory, but even a drastic reduction to half of the current force would still leave forces and stockages with obsolescing equipment. Whether materiel in Europe associated with CFE drawdowns can be retained in Army inventory is still uncertain.

To estimate what an appropriate procurement level might be, it is important to recognize that the inflation rate for development and procurement of military materiel greatly exceeds the general inflation rate of the national economy. The cost of military materiel experiences both an economic inflation plus a continuing cost increase necessary to realize performance advances determined by increasing threats.

If we start with the 1985 acquisition budget of $18.6B as a reasonable base and assume that the true inflation for military materiel has been 6 percent, a baseline acquisition budget would be on the order of $26.4B for FY91. This compares with $14.3B appropriated for FY90 and $10.6B requested for FY91.

However, the FY85 budget was supporting a force structure that was neither the size or configuration that might be appropriate for the coming decade. Further, there was never a serious attempt made to assess the true adequacy of the procurement budget at that time. Shortly before that time, it was charged that the Army had a procurement bow wave of $40-60B. Shortly after that, the Army added six divisions to the force structure, or at least the facade of six divisions.

4. **BUDGET ALLOCATION**: Although the baseline R&D and procurement estimates above may provide a perspective of the inadequacy of the current RDA budget request, a rational budget process should be based on more rigorous analysis. Such a process will not be simple because it requires the definition and quantification of three key determinants that are essential ingredients to formulation of a rational budget. These determinants are:

- How the Army's troop units should be organized,

- A rational set of ground rules for computing Authorized Acquisition Objectives (AAOs), and

- The fixed costs of maintaining service schools, bases, training centers, and other base costs only loosely coupled to force size.

Forces are currently organized under the Army of Excellence (AOE) structure. This force structure is the result of a discredited concept that increased the force structure from 22 to 28 divisions in the mid 80's without a corresponding increase in personnel strength or materiel items. Denigrated as the Army of Emptiness by forces in the field, the organizations of our divisions and supporting elements require redefinition so that a posture and orientation suitable for the threat perceived for the environment of the 90's can be established.

New organizational tables should be developed and optimized for best operational effectiveness within the context of the military environment perceived for the coming decade or so but with minimal regard for affordability. The question of affordability should be addressed by establishing how many optimized division or brigade slices could be afforded within the constraints of likely budgets.

Divisions or brigades should be the primary organizational building block, but organizational slices should include related supporting elements required for sustained combat operations. This effort should identify a representative organizational slice for each type of division or brigade that is found to be warranted in the new operational environment.

With a defined division or brigade slice, operating costs for active and reserve component organization slices could be computed and materiel requirements identified. By assuming a reasonable materiel replacement schedule, an annual operating and procurement cost per division slice could be computed.

The materiel costs must include a factor for maintenance float and war reserves, and this factor will not be trivial. The basis for computing war reserves has been a special area of difficulty in the past because rational rules for this factor have never been developed and consistently applied in the computation of AAOs.

The size of the affordable force structure could then be computed by first adding fixed costs to the cost of a viable R&D program. This sum could then be subtracted from a most likely total budget authority to determine the total funding available to equip and operate division or brigade slices. From this, an estimate of the number of unit slices that could be afforded could then be computed, including a mix of divisions or brigades by type. This initial estimate should then be a basis to re-estimate procurement and fixed costs and adjust them, if warranted, to better match the likely force size.

It is reasonably argued that RDA programs should support a force structure determined by the threat and that forces are not a variable to support a predetermined RDA allocation. That argument is valid, but there must be a realistic relationship between force structure and budgets. This relationship has been lacking in the past as the Army leadership has chosen each year to maintain force structure in the face of declining budgets.

The consequence of this practice has been the persistent diversion of funding from modernization accounts to budget accounts directly related to force structure. Even when chided in budget hearing about a return to the "hollow Army", the responses have always been assurances that the budget was appropriate to the 28 division AOE structure.

The results of the suggested analysis may be dramatic. It is instructive to consider the budgetary implications of reducing active and reserve forces by half, considering the FY91 budget request as a starting point. A reduction of this order would free up about $16B in military personnel accounts with, perhaps, $9B in O&M accounts (1/3 of the $26.5 requested) for a total $25B. If a viable R&D, program actually requires about $16B as suggested above, perhaps a troop strength cut of 50 percent is not enough to maintain a modern force within current budget levels.

If the process described above should determine that an unacceptably small force size results, then a rational basis would be available to argue for an increased budget. The issue then becomes whether a smaller number of modern, well organized and equipped divisions is preferable to 23 divisions equipped with increasingly obsolescent materiel, even if the smaller number turns out to be 15 or fewer. It is suggested that if these two alternatives are objectively defined, the answer would be self evident.

5. **SUMMARY**: It is my view that the Congress has a duty of to strive to maintain a viable RDA program that will ensure that a modern force structure is maintained as a prudent goal for our national security interests and is in accordance with the certain preference of our national electorate.

These goals have been expressed with the clear understanding that current budget realities will require a reduction in force structure. It is widely accepted that current perceptions of the threat would make a reduction, perhaps a substantial reduction, in force structure a preferred option to a force inadequately equipped with modern weapons.

Even without a clear and present threat to our national survival from a foreign power, the people of this nation are not prepared to disarm below some threshold of capability measured more by quality than quantity. There is a wide consensus that the last 45 years of peace in Europe is the result of our maintaining a force capable of resisting aggressions in that area and demonstrating the will to use that force if necessary.

It may well be that our long term national security interests are better served by a robust RDA program that assures the maintenance of a highly capable industry base rather than by an Army force structure of the size now envisioned in Army planning documents, given the certainty that near term defense budgets will not experience real growth.

The proper allocation of Army assets required to maintain this posture is not known, but this paper suggests that a viable RDA allocation would require about 54 percent of the Army's FY91 budget request compared to 22 percent ($16.6B of $76B) actually requested for FY 91 and 25 percent ($19.7B of $77.7B) appropriated for FY90.

It is relevant to note that the Army TOA for FY84 allocated 34.7 percent of the Army's budget to RDA accounts, a budget year with a grossly inadequate R&D program and a procurement allocation of uncertain adequacy. It should be remembered that the true cost inflation of RDA accounts is substantially greater than the force structure related personnel and O&S accounts. For this reason, even a budget constant in real dollars could not sustain a fixed force size if that force is to be supported by an adequate modernization effort.

Those that would continue to propose budget allocations so overwhelmingly protecting force structure face the danger of losing funding both for the force structure that cannot be justified by the currently perceived threat and for RDA funding that they have not requested.

B. THE CASE FOR RESTRUCTURING THE LHX DEVELOPMENT

1. **PURPOSE**: It is my view that the evolution of the LHX program from its initial goal of providing an economic replacement for several thousand obsolescing light helicopters in Army inventory to what has become an expensive, complex configuration that functionally competes with the Army's newest, most modern helicopter is an imprudent funding expenditure and will adversely effect the modernization of Army aviation and the Army as a whole. As a consequence, the original problem of a large fleet of aging helicopters remains unresolved and scarce investment funding is being misapplied.

The scope and perspective of the views presented here are appropriate for consideration by menbers of this Committee and by other senior officials responsible for ensuring that the Army is efficiently organized and equipped.

2. **THESIS**: In this paper, I argue that the LHX program, as currently defined, dominates Army aviation modernization funding to an adverse degree and that the Army Aviation Modernization Plan must be restructured to:

1. Continue procurement of the AH-64 Apache to satisfy attack helicopter requirements until one of the two light attack helicopters being developed by our NATO Allies is shown to be a better option;

2. Offer our NATO Allies use of the T-800 engine and the LHX Mission Equipment Package (MEP) under appropriate license to enhance the viability of their light attack helicopter developments;

3. Begin the immediate development of a modern light utility helicopter constrained in size and affordability by a single T-800 engine of 1200 HP; and

4. In coordination with the Marine Corps, initiate a competitive prototype demonstration with alternative technical approaches for an advanced attack rotorcraft with performance goals substantially greater than now available from Apache or other conventional helicopters.

3. **THE GENESIS OF LHX:** In 1980, Army planners found themselves with an inventory of nearly 9,000 helicopters of four major classes, all of which were approaching technical obsolescence and the end of acceptable service lives. These four classes could be described as light and medium utility, cargo, and attack. Some of the utility helicopters were equipped with specialized mission equipment and thus became dedicated special purpose aircraft.

This situation was of concern because all Army studies and analyses of tactical and doctrinal trends indicated that future combat operations would involve increasingly greater mobility, higher movement rates, wider and deeper battle zones, and more frequent employments into remote areas where roads are limited. These factors established a continuing need for modern helicopters integrated into the force structure and identified operational deficiencies requiring capabilities attainable only by new developments.

At that time, the Army was completing development and beginning procurement of the UH-60 Blackhawk medium utility helicopter, and was nearing completion of the AH-64 Apache attack helicopter development. It was decided to defer the development of a new cargo helicopter in favor of a major modification of the CH-47, Chinook, to extend its useful life by another 15 or 20 years.

Over half of the Army inventory of helicopters was comprised of light utility helicopters performing numerous roles for which Blackhawk was needlessly large and expensive by a factor greater than two. All of the initial briefing and programming documents supporting the LHX development identified 6,000 light utility helicopters in inventory which LHX was intended to replace.

These factors are still relevant and essentially unchanged from the LHX program's inception in the early 1980s. The need to provide an economic replacement for this aging inventory was widely recognized, and the Justification for a Major System New Start (JMSNS) towards this end was readily approved in 1983.

4. **LHX IS REDEFINED:** Even before the JMSNS was formally approved, a number of decisions and management events occurred which together resulted in a drastic reorientation of the LHX program from the original program goals. Among the most significant were:

a. Separate decisions by then USA James Ambrose that LHX would (1) be a twin engine aircraft and (2) would incorporate engines of 1200 HP each. This decision immediately defined an aircraft well beyond the power, weight, and cost class of the light utility helicopter inventory that LHX was intended to replace. To provide a perspective, the utility aircraft to be replaced were all single engine with about half equipped with 300 HP engines and half with 1400 HP.

b. The realization that the Apache attack helicopter was going to be much more expensive (and hence less affordable) than had been promised by program officials. This factor, coupled to the engine decision, gave rise to a notion that an attack variant of LHX would be feasible and could result in a less expensive alternative to Apache.

This attack variant would share rotors, engines, and many other components with the utility configuration, with potentially favorable cost effects for both procurement and support. With two advanced 1200 HP engines compared to two older 1600 HP engines in Apache, the new aircraft would be somewhat smaller but with nearly comparable performance. It was envisioned that the nonrecurring development and tooling costs would be minimal since the attack configuration would be merely a variant of the utility aircraft.

Apache was developed to replace an inventory of about 1000 relatively simple 1800 HP AH-1 Cobra attack helicopters procured during the 1960s and early 1970s. However, this new attack configuration of LHX was now portrayed as a light attack or scout attack helicopter and was programmed to replace Cobras to the extent that the constrained procurement of the costly Apache would not. This attack variant of LHX was also programmed to replace modified versions of light utility helicopters employed for scout and reconnaissance roles.

As enthusiasm for this new concept bloomed, the attack configuration dominated the LHX design process to such an extent that the utility version became unacceptably expensive and was dropped from the program. This event, and other factors, doomed any potential for an attack configuration of LHX to be less costly than procuring more Apaches.

Critics immediately charged that the long discredited Advanced Scout Helicopter or ASH had arisen again, albeit by a circuitous route and by a new name.

c. The emergence of low observable (LO) technologies which were embraced by the attack LHX variant proponents, at least in part, to provide a distinctive characteristic not inherent or reasonably incorporated in the Apache. Commitment to this technology without benefit of an LO helicopter technology demonstrator effort has been an area of concern because of the

uncertainties regarding technical risk, cost, and supportablity in the field. Further, there remains substantial controversy regarding the merits of LO for a helicopter employing low level tactics and active counter-measures.

d. The establishment of a significant air-to-air role for LHX, in response to a perceived counter-air threat evolving from the Soviets. This new emphasis generated severe requirements for agility and maneuverability which further distinguished LHX from Apache and diminished the potential for component commonality with a utility configuration. Artificial constraints on the design process resulted in an emphasis on aircraft maneuverability rather than weapons flexibility to enhance air-to-air engagements.

Despite this new emphasis on counter-air combat, the Army rejected the option of an LHX design configuration with greater speed potential than a pure helicopter, an unarguable benefit in counter-air operations. This decision evolved after much controversy within the Army and was against recommendations by both the Army and Defense Science Boards.

This decision to exclude an advanced rotorcraft configuration spurred the Marine Corps to reject any interest in applications of LHX. They had previously indicated a positive interest in an LHX with a more advanced configuration. As will be shown below, this decision also resulted in a configuration redundant to two European developments rather than a clearly more capable alternative.

e. Action by the Army, in response to an OSD initiative, to constrain the LHX design to an empty weight of 7,500 lbs. (down from 8,100 lbs. in 1988) and a unit flyaway cost of $7.5M (down from an uncertain $9.0M). The full implications of these limits are highly uncertain. There is wide skepticism that they are lasting. These limits were arbitrarily established, without any evidence that they are balanced or could result in a cost effective design.

It is relevant to note that in 1987, the attack LHX design was estimated to have an empty weight of 5,366 lbs. and a unit flyaway cost under $6M, in response to a futile effort by Mr. Ambrose to hold the gross weight to under 8,500 lbs.

Preliminary design efforts at this time seem to emphasize leaving out of the design (and weight and cost build ups) items that can be readily added later. For example, the available engine power remains two 1200 HP engines, sufficient for a substantially heavier helicopter. Heavy and costly LO features remain inherent in all the designs, despite their arguable merit. Conversely, the Longbow weapons system, conceded to be essential to an effective LHX, is excluded from the weight and cost constraints, to be added later.

Cost is especially uncertain because the design is proceeding with significant new technologies with which there is little cost experience. Further, significant cost items are simply being ignored, such as the nonrecurring and recurring costs of incorporating Longbow cited above. The acquisition and support costs of incorporating LO features in LHX are especially troubling, particularly to those familiar with the cost experience of other efforts to incorporate stealth characteristics in operational aircraft.

f. The establishment of two other developments within the NATO Alliance for helicopters of comparable configuration, power, weight, performance, and technology as the currently defined LHX. Our NATO allies have been struggling for more than a decade to acquire a modern attack helicopter. National considerations have precluded, at least until now, procurement of the Army's Apache. There has been recent agreement by the FRG and France to develop a new attack helicopter called PAH-2 by the Germans. The UK and Italy have also agreed to develop a comparable attack helicopter called Light Attack Helicopter or LAH.

Efforts by the U.S. to offer LHX to the Allies as an alternative to their developments have not been accepted. For comparable reasons, the U.S. has not seriously considered deferring development of LHX to a European design. These three systems are at roughly comparable stages in design and utilize comparable technology except, perhaps, for the engines and certain items of electronic mission equipment for which the U.S. has technical superiority. An assessment of the relative technologies, merits, and goals for reduced signatures of these three designs is complex and arguable.

5. **THE "ARMED RECONNAISSANCE" ISSUE**: The Army operates about 2,300 light OH-6 and OH-58 utility helicopters developed by the Army in the early 60's as the Light Observation Helicopter or LOH. They are relatively simple, powered by a single 300 HP engine, and with a four place utility configuration. They have had wide utility within the Army in many roles. Their successes from Vietnam to the recent Persian Gulf operations are legend. They have also been acquired by a number of our allies and civil versions have enjoyed wide commercial success.

The Army employs many of these in cavalry roles for scouting and reconnaissance, for observation of artillery fires, and for target acquisition. About 200 have been modified to an OH-58D configuration with a more powerful engine (650 HP) and equipped with sophisticated electro-optical devices and a variety of weapons (both guns and missiles). This aircraft has been a favorite of cavalry units in the field, and it was pressure from the user that led to a recent approval of a plan to arm the full inventory of OH-58Ds.

The side-by-side seating of two crew members in these aircraft facilitates crew coordination in scout and reconnaissance roles as contrasted to the tandem seating preferred for attack configurations. The utility configuration also facilitates the movement and dismounting of scouts for ground reconnaissance, a feature much desired by cavalry units but lost to an attack configuration.

As the emphasis of the LHX program evolved to a sophisticated attack configuration with tandem seating for its two man crew, it was variously termed Light Attack, Scout-Attack or SCAT, and, more recently, Armed Reconnaissance. Without question, the attack LHX could perform any of these roles. However, our experience would indicate that the scout and reconnaissance roles are better performed by modifying a light utility helicopter with side-by-side crew stations that could be acquired in substantial quantities. As the Army has done so effectively with the OH-58D, a modern light utility helicopter could be equipped with specialized electro-optical equipment and weapons to enhance its use in observation, scout, and reconnaissance roles.

6. **ANOTHER REDIRECTION IS WARRANTED**: The current LHX program fails to provide either:

1. A replacement for the several thousand light utility helicopters in the Army's inventory which are unarguably approaching the end of their service lives; or

2. An aggressive response to emerging threats, evolving operational doctrine, and a new focus on a more global orientation which would warrant the better range efficiency and greater speed capabilities of advanced rotorcraft configurations with which the U.S. has an undisputed technological lead.

Further, the focus of virtually all Army aviation R&D and procurement funding towards LHX alone is a severe misapplication of assets and is aggravated by the fact that the $40.9B program costs ($3.9B R&D, $37B production) cited by LHX program managers assuredly understates the true program cost.

It has been glibly stated by some that the light utility helicopter requirement can be satisfied by a non-developmental item (NDI) acquisition. That may be so, but no such acquisition is funded in the Army POM nor in the Army Aviation Modernization Plan. Nor is it apparent that there is a suitable NDI helicopter available that should be prudently acquired to comprise more than half of the Army's helicopter inventory.

Until a specific NDI acquisition program is defined and assessed, it would be highly presumptuous to assume such a handy solution to such a major problem, the very problem, in fact, that initiated the LHX program as a new development imperative nearly ten years ago.

If an NDI acquisition warrants serious consideration, it should be for the two light attack helicopters being developed by our European Allies. There is no comparable development for a military light utility helicopter, which is the Army's most serious obsolescence problem.

Some have even proposed a major service life extension program for the current light utility fleet with new engines, rotors, avionics, and other major components. This proposal was a viable alternative, perhaps, in 1980, but is so specious at this time that it hardly warrants mention. The time phasing needed to develop and implement such a program would consign the Army to continued operation of helicopters more than 50 years old. Further, such a massive effort would require substantial funding not in any projected budgets, if aviation acquisition funding continues to be directed so preponderantly to an attack configuration for LHX.

There is ample basis to consider reorienting LHX from its initial goals to provide a replacement for the large inventory of light utility helicopters oriented towards a more aggressive and lethal combat role. There have been significant changes in the perceived threat and global orientation of Army forces since Apache was designed. In addition, Army AirLand Battle doctrinal trends envision battlefields extended in depth and width coupled with higher tactical movement rates.

These factors would tend to favor an advanced configuration with better range efficiency and speed potential than available with a conventional helicopter. Neither the doctrinal basis nor the technology for such an option was available when the Apache was developed. However, both are now changed, the technology by virtue of the successful XV-15 program, the ABC demonstration, and the Marine Corps V-22 development.

These considerations would seem to indicate that our forces going into the next century will need and that technology could support a much more capable aircraft than an LHX constrained to a conventional helicopter configuration.

The emphasis of the technical efforts and major expenditures to date have been on the 1200 HP T-800 engine development and the electro-optical MEP. The engine would be appropriate for application in a single engine configuration of a new utility helicopter and the MEP could be largely applied to an upgraded Apache and other systems so that these investments would not be wasted.

To those who would argue that a single T-800 engine is not enough power, it should be noted that the T-800 provides four times the power of the highly successful and affordable OH-6 and OH-58 helicopters, twice the power of the armed AHIP, and comparable effective power of the UH-1H helicopters. Any significant amount more would define a helicopter beyond the power and weight class of the helicopters it is intended to replace with adverse cost consequences.

6. **CONCLUSION**: It is my view that the LHX program, as currently structured, fails to provide a viable solution to the basic problem of an aging helicopter inventory and, thus, does not warrant the near total preponderance of aviation acquisition funding for the forseeable future. To correct this unsatisfactory situation, the Army Aviation Modernization Plan should be restructured to:

a. Continue procurement of Apache to meet attack helicopter requirements.

b. Develop a modern light utility helicopter to replace the current inventory at a prudent pace,

c. Initiate a prototype competition of an advanced attack rotorcraft to satisfy the doctrinal demands of the next century and utilizing technology with which the U.S. has a clear technological lead.

C. AN ASSESSMENT OF DEVELOPMENTAL RISK FOR THE ARMY'S STEALTH HELICOPTER

1. **PURPOSE**: It is my purpose here to present an assessment of cost, schedule, and performance risks associated with the proposed LHX helicopter development. The validity of the requirement is not addressed in this section, although I have strong views that the requirement is not a proper priority for the planned funding, as expressed ablove.

The scope and perspective of this paper is appropriate for consideration by members of the Congress and by senior management officials responsible for the efficient development and procurement of weapons systems for U.S. forces.

3. **FINDINGS**: The general findings of this assessment are that -

- Technology enhancement efforts related to LHX prior to Milestone II have been enormous, reportedly at a level of over $1.0B; however, the effectiveness of these efforts has been diluted by frequent changes of program focus. Despite impressive advancements in helicopter and mission equipment technologies to date, the reach of the program's aspirations is beyond attainment within budget and schedule constraints now being proposed.

- Significant program goals and operational parameters cannot reasonably be achieved with the program as currently structured. Unit procurement and program cost goals, reliability and maintainability specifications, operating costs, software performance, signature suppression, and system weights are, perhaps, the most clearly unachievable program goals now specified as required.

• Other significant parameters would require technical achievements well beyond our experience base and could be achieved, perhaps, with difficulty, but full achievement is not likely. These include dash speed, ferry range, target detection and acquisition performance, gun accuracy, sustained combat tempo, ballistic protection, and crew compartment pressurization.

• Criteria established to define successful completion of the Demonstration/Validation Phase and readiness to begin Full Scale Development fail to address a level of acceptable accomplishment for several significant risk areas.

• Program and technical risks of the LHX development are substantially aggravated by inordinate management actions that have precluded candid and professional appraisal and design trade-offs by government and contractor personnel involved.

• Program risk could be diminished to some degree by-

(1) Competing both design teams through a full system fly off,

(2) Extending the period of FSD by about three years,

(3) Providing for effective transfusion of the better concepts and subsystems from the losing design to the selected design.

3. **ASSUMPTIONS**: This assessment assumes that, following Milestone II approval, the program would proceed essentially as described in the second draft RFP recently circulated to industry and that a corresponding Required Operational Capability (ROC) will be approved.

4. **UNPROFESSIONAL PROGRAM INFLUENCES**: Since early in its formulation, the LHX program has been burdened by unprofessional program influences that have adversely constrained the definition process and have restricted candid and professional appraisal and design trade-offs by both industry and government program participants. Although other programs have suffered similar impediments, one would be hard pressed to find a successful development that has had such a difficult birth or whose definition has been so dominated by an appointed official, now departed.

This difficulty for LHX is largely the result of the management style and program decisions of former Under Secretary of the Army Ambrose. By a series of well intentioned but highly arbitrary program decisions, he preempted a structured definition process, and by an imperious management style, he precluded effective discussion of program issues with knowledgeable Army and industry officials. Many of his decisions were capricious and contradictory; their adverse effects have been lasting.

For example, he directed that LHX would be powered by two 1200 HP engines and then established a grossly inconsistent weight limit[1] that he was not prepared to enforce. In addition, he mandated that the LHX "would cost 30-40 percent less to own and operate" than the 7,000 simple but operationally obsolescing helicopters it was scheduled to replace and then presided over definition of the most complex and sophisticated helicopter ever envisioned.

These and other decisions preempting the normal definition processes resulted in a pattern of artful cost and weight accounting, less than candid appraisals by program participants, and passive reviews by senior and knowledgeable Army officials.

In November 1987, reports from RAND and IDA disclosed that mandated cost and weight limits were not consistent with the configuration being pursued and provided more realistic estimates, estimates not refuted by program officials. These disclosures resulted in a major perturbation of the program.

Specifically, OSD deleted the utility configuration and mandated constraining but also arbitrary weight and cost limits, probably also unenforceable. These new limits were constraining but still substantially larger than earlier limits ineffectively imposed by Mr. Ambrose.

These new limits were embraced by senior Army authorities as a cost containment measure and have become controversial imperatives in current program descriptions. It was left to Army and industry program advocates to define a system that could pass cost effectiveness assessments within these constraints or risk the loss of their program. This is a challenging task since three COEA's completed by the Army previously had found other configurations to be the most cost effective.

A "speak with one voice" discipline has been imposed on Army and industry program participants by senior Army management and enforced to a degree that has further compromised the integrity of the acquisition process.

This factor is best illustrated by the Army's current response to the 20 January 1988 Deputy Secretary of Defense memorandum directing a "major refocus ... to ... acquire a light weight, low-cost helicopter". <u>This refocus has claimed major reductions in LHX weight and cost, but with no significant reduction in LHX's initially claimed functional capabilities.</u> In fact, the refocused configuration is being portrayed as being achievable with no reductions to crew size, missile load, maneuver criteria, dash speed, vertical rate of climb, ferry range, mission endurance, navigation accuracy, sensor performance, ballistic hardness, and stealth parameters.

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[1] 8,000 lbs gross eight, equivalent to about 5,000 lbs empty weight.

This situation has generated increasing but private dissent from knowledgeable Army and industry program participants, but official voices remain severely constrained by the "one voice" discipline and industry concern about losing a program in which there has been substantial industry investment.

Another perspective is instructive. Four major helicopter industries are located in Western Europe. These firms are technically competent and have developed more helicopters in the past 15 years than has the U.S., including the HH-65 recently fielded by the U.S. Coast Guard. Our West European allies have been grappling with attack helicopter alternatives for some years and have one major multi-national development on-going. Recent briefing to European authorities on the merits of LHX to solicit multi-national participation have resulted in highly skeptical reception of program goals and no offers to participate.

5. **COST RISK**: This assessment will not attempt to estimate program cost but will focus instead on the uncertainty of LHX cost projections. Other efforts are underway to provide senior acquisition managers with independent cost estimates.

a. Cost Uncertainties: The uncertainties of program costs for new weapons system developments has been a perennial problem area for decades, one that has eluded successful resolution by any of several substantial initiatives intended to improve the effectiveness of cost estimating practices.

Several factors contribute to the difficulty of this problem for most new developments but especially for LHX. These factors include-

- A persistent and fully understandable optimism regarding true costs by program managers and weapons system proponents,

- A growing and pervasive array of bureaucratic interests of testers, trainers, maintainers, safety specialists, TQM authorities, auditors, and other groups of special interest or overwatch that have virtually unconstrained authority to require extensive and expensive actions or processes in a program without a corresponding responsibility to provide relevant funding,

- A growing technical sophistication in weapons systems that results in program managers being increasingly dependent on an army of technical specialists, each desiring to ensure that his area of specialization challenges the state of the art but none of whom have significant responsibility or appreciation for the costs of their specifications on the program,

- A fundamental and fully understandable inability to identify *a priori* all cost components of a system not yet designed coupled with a reluctance by budget managers to allocate a significant "management reserve" or contingency fund that has not been shown to be necessary,

- A requirements definition process that has consistently been unable to couple materiel quality and quantity issues to force design and budget imperatives,

- Rapid technological advancements that have greatly diminished the effectiveness of classical parametric cost estimating techniques, and

- Inevitable delays resulting from technical difficulties, funding shortfalls or maldistributions, budgetary changes, and production rate reductions that result in higher costs than those projected for a more optimum progress initially envisioned.

There is one other significant and increasingly troublesome factor that is aggravating the quality of cost estimates for weapons system developments that warrants special mention. This factor is the increasing infrequency of system developments that precludes both government acquisition specialists and industry design teams from the learning experience of more than one or two developments per career span.[2]

In addition to these general factors that diminish the effectiveness of cost estimating practices for virtually all new systems, the LHX program is fraught with additional and inordinate factors that tend to lessen further the validity of cost estimates now being presented for the LHX program. These inordinate factors include-

- A situation that has arisen largely from the circumstances summarized in **Par. 4** above in which acquisition managers at program level and associated industry participants must portray "attainment" of a $7.5M unit cost to proceed with the development but must also promise the officially designated "user" his performance dictates to retain validation of the system's need,

- A general perception that the $7.5M unit cost limit is not likely to be enforced beyond the tenure of the current management hierarchy, a perception derived, at least in part, from the Black Hawk and Apache experiences where comparable

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[2] If LHX proceeds as envisioned by proponents, it will be the first new U.S. military helicopter development in over 15 years, only the third new Army helicopter development in over 25 years.

unit cost limits were established and portrayed as being achieved throughout the development but which were exceeded with impunity for production by a factor four or more, and

- The incorporation of advanced technologies relating to composite structure, stealth provisions, MEP software, Long Bow incorporation, imbedded training systems, directed energy hardening, and other technologies for which there is an inadequate experience base on which program costs could be estimated with confidence.

b. Enhancing Cost Confidence: Substantial delays in the start of FSD after LHX design teams were initially formed have provided about six years of intensive technical effort directly related to LHX. This effort is reportedly at a level approaching $0.43B of corporate funding and almost $0.6B (FY90$) of Army funding[3]. This very substantial effort has, without question, done much to help in system definition and the defining the scope, cost, and risk of the development.

Also without question, a not insignificant portion of this expenditure was used on earlier issues relating to utility/attack component commonality, a configuration with a much more constraining weight limit, single pilot operation, helicopter versus tilt wing configurations, changing signature suppression goals, and other technical issues with marginal contribution to the current focus of the program.

This Dem/Val Phase effort has been effective in the establishment of working relationships, numerous preliminary designs, evaluations of alternative technologies, development of avionics architectures, system integration trades, system simulations, software definition, signature reduction techniques, advanced rotor concepts, innovative counter torque designs, electro-optical devices, and composite structure processes.

It should be expected that this extensive effort would have very substantially reduced the uncertainty of developmental cost, but, significantly, not to a level of confidence that the contractor teams are willing to accept the development on a fixed price contract.

c. Unit Production Cost: The cost issue that has had the greatest visibility and attention is the average unit flyaway limit of $7.5M (FY 88) mandated by the Secretary of Defense and seriously endorsed by senior Army officials. It has been generally and openly acknowledged that the Longbow weapons system is not included in that limit.

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[3] Another $400M has been expended on the T-800 engine development intended for use on the LHX and other applications.

However, also acknowledged, but with some ambiguity, is the fact that other mission subsystems for which LHX is being designed to accommodate are not included in the unit cost limit. These exempted items include an attach-on kit for signature reduction, an external load carrying hook, an extended range kit, and several electronic systems for which full plug-in provisions are provided. The number of aircraft to be equipped with Longbow and the number of signature reduction kits and exempted electronic systems to be procured must be considered uncertain.

It may be relevant to the cost issue or at least of interest to note that the mandated 7,500 pound empty weight limit excludes the signature reduction and extended range kits but not the exempted electronic systems. With the electronic systems at upwards of $5,000 per pound compared to the non-electronic kits at only a few hundred, there is a strong incentive to leave electronics out of the cost review processes. Full plug-in provisions that would permit them to be easily added at a later time satisfies those speaking as the user.

It is instructive to consider LHX costs from different perspectives. Consider first the Army's official position that the program cost to acquire some 1,875 LHXs will be $39B or over $20M apiece. Recent Army briefings have compared $10.1M as "what we paid" for Apache to only $7.5M projected for LHX. Of course, the $20M program unit cost for LHX is not comparable to the $10.1M procurement unit cost for Apache, but then neither is the $7.5M LHX cost comparable to the $10.1M for Apache, despite the Army's portrayal of comparability.

Perhaps the major difference is that the incremental costs of buying more Apaches, a system in current production, is predictable with confidence whereas the LHX cost must be considered uncertain, arguably highly uncertain. Another major difference is that nonrecurring costs for Apache are sunk and the inevitable problems are largely fixed or at least known as a result of several thousand flight hours and four years of field experience.

Logic would suggest that the cost limit would depend on a specific quantity and production rate for a given system configuration. However, recent reductions by the Army in the planned procurement quantity (2,096 to 1,875) and production rates (216/yr to 157/yr) have not resulted in changes to the unit cost goal or an offsetting reduction in LHX system capabilities.

This perspective is not intended to imply that Apache is necessarily a better buy than LHX, but merely that acquisition authorities considering the merits of LHX should view with a healthy skepticism the notion that LHX procurement in lieu of more Apaches would result in a cost savings, as claimed by LHX proponents.

d. Operating Costs: There are comparable uncertainties related to operations and maintenance costs. Recent Army briefings have compared the cost per flight hour of Apache of $4,765 with only $2,698 projected for LHX. This comparison is so baseless that it hardly warrants comment. The claim that flying hour costs for a helicopter that is not yet designed or even configured in detail could be estimated to four significant figures with any validity is simply absurd.

Another example warrants mention. Recent briefings in support of LHX compared a current inventory of 9,000 helicopters without LHX to only 6,600 needed in 2008 with LHX, resulting in an annual savings of $1.0B attributed to LHX. Not shown was the fact the 2008 projected inventory is based on a projected force reduction from 28 divisions to a 23 division force structure. Such a comparison obviously has no validity but just further dilutes the integrity of the decision process.

It is not possible to estimate with confidence the future operating costs of LHX. However, considering its substantially increased mechanical and electronics complexity compared to Apache, LHX operating and support costs could be lower only if the scope of the development were expanded substantially in time and funding to provide sufficient resources and time for an intensive focus on reliability and maintainability design, engineering, and validation.

e. Development Costs: Development cost risk is aggravated by a mismatch between the programmed budget allocation profile and the associated development schedule, a mismatch acknowledged by government and industry managers alike. The mismatch results in a funding short fall during the critical, initial years of the development.

An agreement by the winning contractor to provide corporate funds to attain a better match between available funding and the expenditure rate needed for the development schedule could alleviate this issue, but such an agreement is not yet assured.

There is also substantial risk related to the magnitude of the programmed funding for the development. The current funding estimate provides a very marginal number of prototypes and little or no reserve for contingencies. Since the program contains extensive software, imbedded training requirements, and other complex development tasks beyond our experience and with large uncertainties, development cost risk must be judged inordinately high.

6. **SCHEDULE RISK**: It has been the general experience that weapons system developments encounter unanticipated schedule delays caused by technical difficulties, budgetary constraints, performance or configuration changes, and other causes. The issue here is not whether the proposed development schedule can be assured but whether it is reasonable considering the task to be accomplished.

Schedule risks are an important consideration even if urgency to achieve operational status is not demanding. Tight development schedules increase the risk of achieving developmental goals and if a schedule slippage results, development costs always increases. It is axiomatic that an overly optimistic schedule will result in increased costs or failed developmental goals or both. Experienced acquisition managers are hard pressed to identify many programs that have been allocated more time than they really needed.

Since we should learn from our experience, it is instructive to compare the schedule proposed for LHX with the development schedules realized for the two most recent successful helicopter developments, the Black Hawk and the Apache. Subsequently, the comparability of these three programs will be assessed.

MONTHS BETWEEN KEY EVENTS

EVENTS	BLACK HAWK	APACHE	LHX
1. Dev CA to Prod CA	60	102	48
2. Dev CA to 1st Prod Del	75	128	62
3. Prod CA to 1st Prod Del	28	28	18
4. Dev CA to Opn Status	88	157	72

No two programs are ever exactly comparable but most have many common functional phases such as design, fabrication, and test. The acquisition strategy selected for any new development is a determinant in the minimum practicable schedule and the risk of schedule slippages. These three helicopter programs were structured with three substantially differing acquisition strategies.

The strategies designed for each program reflected perceived risk primarily but with some consideration to urgency of need. These strategies are described as follows:

- The Black Hawk development was conducted with two competitive designs through Engineering Development, with both competitors awarded Producibility Engineering and Planning contracts to facilitate entry into the production phase. In addition, the winning contractor was awarded a Maturity Phase contract concurrent with the production contract to incorporate significant engineering changes found to be needed during the fly-off evaluation. Flight performance goals were modest and installed systems were considered minimal. The major foci of the development were (1) a Design to Cost mandate, (2) Maintainability and Reliability criteria, and (3) C-130 transportability.

- The Apache development was conducted with the aircraft and mission equipment package (TADS/PNVS) proceeding separately through competitive prototype fly-off select downs, with the winning airframe and winning mission equipment package completing development and integration during Full Scale Development. Flight performance goals were considered modest, and the technical risk of the advanced TADS/PNVS system was minimized by competitive, parallel efforts to assure against failure. The overwhelming focus of the development was a $1.4M unit flyaway Design to Cost limit, presumably assured by competitive developments of the aircraft and separately for its mission equipment package.

At least in theory, the acquisition strategy proposed for LHX is more direct and could result in a shorter overall schedule. However in practice, the redundancy and competitive pressures of parallel approaches in the other two strategies tends to insure against technical difficulties or failures, thus reducing the risk of schedule slippages. Perhaps, the proposed LHX strategy would have been more appropriate for the relatively simple, straight forward Black Hawk system, and the Apache strategy more appropriate to the complex, highly integrated, system dependent LHX.

Considering the complexity of the proposed LHX configuration, the magnitude of the systems integration, and the deficiencies in programmed funding, the proposed schedule must be considered inordinately optimistic with little chance of being realized in practice.

7. **PERFORMANCE RISK**: It is useful to consider performance or technical risks of the LHX weapons system by first assessing the risks associated with the basic aircraft and then addressing the risks associated with the Mission Equipment Package (MEP).

a. Development Experience: There is a general perception that the major development risk associated with the LHX is with the MEP and that the aircraft risk is minimal. To test this perception, it is instructive to review some of the difficulties experienced with the Black Hawk and Apache developments, helicopters that are significantly simpler and with more modest performance goals than the LHX.

Significant problems encountered but not anticipated by the winning Black Hawk design during development included-

- Change of blade airfoil to achieve required load factor
- Increase rotor diameter to achieve required hover performance
- A major change in stabilator configuration for flying quality and structural reasons

- A reduction in vertical fin area to enhance sideward flight
- Redesign of tail rotor mount and control to reduce loads
- Redesign of landing gear sponson to reduce drag
- Change of tail rotor gear box design to accommodate an oil lubrication system
- Redesign of flight control system to correct unsatisfactory control harmony
- Redesign of rotor control servos to accommodate higher than anticipated flight loads
- Increase size and pressure of main tires to correct a ground resonance problem
- Extensive redesign of the airspeed system to correct errors
- Redesign of the aft nacelle configuration to correct a vibration and buffeting problem
- A drastic redesign of the flight control system from fluidic technology to electrical/mechanical

The competing design experienced comparable or greater difficulties in numerous areas.

Although the Black Hawk is praised by operating units, the development failed to meet significant "requirements" and program goals. For example, it failed to meet the desired speed of 175 knots by a large margin; the minimum acceptable speed of 145 knots was achieved only by the artful contrivance of a relaxed definition of power available.

Perhaps more important to this assessment, Black Hawk failed by large margins to meet the three design goals most highly touted and portrayed as inviolate; they were (1) unit fly away cost, (2) operating costs less than UH-1, and (3) C-130 transportability.

It is also significant that this development was preceded by five years of definition and risk reduction technology and that developmental goals were constrained to minimize risk.

The competitive prototype program that resulted in Apache experienced even greater difficulties with the basic aircraft development. Neither design met either the vertical rate of climb or the minimum forward speed requirement with the specified

engine[4]. Even with a significant engine modification to increase available power[5], the minimum acceptable forward speed "requirement' was met only with a technical contrivance during acceptance tests.

The Apache program followed the failure of the Cheyenne attack helicopter development which had encountered both technical and cost problems resulting in its cancellation. In an effort to avoid a repeat of that failure, the Army established deliberately modest performance goals so that an absolute "not to exceed" unit cost of $1.4M could be achieved with assurance. That imperative was not realized by a factor of four or more, despite the competitive pressures of separate parallel developments of aircraft and mission equipment.

In addition, many other developmental goals were not fully achieved, most notably maintainability and reliability. A continuing software problem that has precluded the use of the back-up fly-by-wire flight control system for several years is also relevant.

In substantial contrast to these earlier designs, it cannot be claimed that the basic LHX aircraft reflects modest developmental goals, arguably achievable but not comparably modest.

b. Signature Reduction: Leading the list of technical risks for the LHX basic aircraft development must be the severe signature reduction specification. Signature reduction leads the list not necessarily because it is the most clearly unachievable goal but because signature reduction adversely impacts on other areas of difficulty.

Design, engineering, and manufacturing considerations to achieve the required signature reduction specification adversely effect the attainment of goals for development, production, and maintenance costs, weight, speed, range, reliability, repairability (especially battle damage repair), MEP integration, and operational availability. Conversely, low observable design features may facilitate achievement of TEMPEST criteria and EMI, EMP, and directed energy (HPMW) protection.

The degree of difficulty and risk associated with attaining the reduced signature specification and the impact on other aircraft features is highly uncertain, largely because there has been no prototype effort comparable to the DARPA Have Blue prototype that

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[4] The alternative design missed the minimum speed requirement of 145 knots by a devastating 22 knots.

[5] The adverse consequence of this engine growth was substantial; it was loss of engine commonality with Black Hawk.

preceded the F-117 development or to comparable efforts for other low observables systems now ongoing but not yet publicly announced.

A detailed discussion of the technical difficulties of achieving given levels of radar signature reduction in the static and doppler regimes is highly complex, well outside the scope and management perspective of this paper. Managers interested in exploring this issue in some detail are referred to the critical assessment in IDA Paper P-2285 "ACTIVE AND PASSIVE AIDS FOR LHX SURVIVABILITY (U)", SECRET, dated January 1990.

For this program especially, many of the signature reduction techniques and accomplishments being proposed for LHX are considered to be highly competition sensitive. Suffice it to say that demonstrating a given level of radar signature control on a measurement model or some major component is not comparable to achieving the same level on an operational aircraft with complex weapons, electronics, and optics installed and maintaining that condition in field operations.

The fundamental techniques of radar signature reduction are well known and involve a combination of shaping reflective materials so that radar energy is not returned back towards its source and radar absorbing materials where that is most effective. The configuration must enclose or otherwise "hide" engine nacelles, weapons and their mounting fixtures, optics, antennas, and servicing accesses.

The result is a substantial compromise in the design compared to a design not so constrained. This compromise is much greater for an attack helicopter configuration than for a jet airplane. This fact is clearly evident from a simple inspection of U.S., European, and Soviet attack helicopter configurations which all have numerous exposed weapons pylons, automatic cannon, optical turrets, servicing accommodations, engine nacelles, and rotating hubs, all inconsistent with a low radar signature.

Compromises to reduce signatures result in higher structural weight and cost, increased drag, increased fuel consumption, more difficult servicing and repair, and increased maintenance compared to a comparable design without the low observable requirement. The magnitude of these penalties is arguable but that the full consequences of these compromises is uncertain without question, perhaps highly uncertain. For these reasons, the signature reduction criteria must be considered the area of most severe risk associated with the LHX development.

c. Flight Speed: The required speed specified for LHX is 170 knots, more than 15 percent greater than any current operational helicopter. Although a 15 percent performance increase would not seem inordinate for a new generation system, it is a concern for LHX. It is a concern because helicopter rotors in forward flight

encounter exceedingly complex variations in velocity and dynamic pressure at each span wise section during each blade rotation.

Each blade section encounters an air flow velocity that equals the rotational speed plus the flight velocity on the advancing side and the rotational speed minus the flight velocity on the retreating side. Because the absolute velocity of any blade section due to rotation varies from near zero near the blade root to near sonic velocities at the blade tip, forward flight results in an area of actual reverse flow on the retreating side, and this area increases with increased flight speed.

As flight speed increases, the retreating blade encounters increasingly lower velocities on the outer portion of the blade and an increasing area of reverse flow on the inner portion of the blade so that the advancing blade is capable of producing less lift the faster the aircraft flies, exactly opposite the effect on an airplane's fixed wing. Reduced lift on the retreating blade results in a reduced rolling moment which must be balanced by an off-setting reduction in lift of the advancing blade.

The result is a highly periodic blade loading coupled with large impulsive variations in dynamic pressure on the blade as it rotates around the disk. Because rotor blades are long, slender, highly elastic structures, the highly impulsive variations in velocities and pressures encountered by the blade in forward flight generate aero-elastic instabilities that have historically limited operational flight speeds to not greater than about 150 knots.

An assessment of technology readiness for LHX conducted by the Army in 1984, fresh from their Black Hawk and Apache flight speed difficulties, structured and budgeted an experimental and analytical program to develop the technology for an advanced rotor capable of flight speeds well beyond our current experience. The program was intended to include two efforts, designated Bearingless Main Rotor and Advancing Blade Concept.

The program was well planned and highly warranted; however, the Bearingless Main Rotor effort was never implemented as a result of a change in funding priorities and the Advancing Blade Concept effort was a technical failure. Elements of the intended Bearingless Main Rotor program have subsequently been completed, in part, as contractor initiatives.

Although not specifically related to the LHX risk reduction effort, another high speed rotorcraft concept was tried and failed after the expenditure of several million dollars under a "black" cover. That program was called "X" Wing.

A more recent and authoritative assessment[6] of the difficulties of high speed helicopter flight concluded that our analytical tools are inadequate to estimate "rotor vibration loads, and flight control system loads, overall vibratory levels, as well as aerodynamic capability". These factors are all critical to the attainment of operational helicopter flight speeds in excess of about 150 knots.

Senior managers considering the risk of attaining the specified flight speed should not be misled by numerous demonstrations or speed records of higher speeds; these demonstrations are more akin to stunts and do not represent operational capabilities. It would be better to remember that those that are now providing assurances that 170 knots is readily attainable for LHX represent the same developing agency and the same contractors that promised comparable speeds for Black Hawk and Apache.

d. The Mission Equipment Package (MEP): Many would argue that the MEP is the greatest technical risk component and few would argue otherwise if unit cost, operating costs, and RAM[7] goals are excluded from consideration as "technical" or performance risks.

The LHX MEP has had a turbulent history with many changes in focus and with frequent well intentioned but disruptive guidance mandates from various sources. Early in the LHX program's conceptualization, a much lighter, more affordable system was envisioned, and a relatively simple and modular MEP was envisioned that could be readily tailored for the many different roles.

The first major shift in focus was a new goal of single pilot operation, warranting a much more extensive avionics package to assist a single pilot in doing the functions normally requiring two pilots. It was reasoned that the cost of the more extensive MEP would be more than offset by the cost of the pilot that would not be needed. An extensive technical effort, including flight tests in specially equipped helicopter surrogates, failed to show that satisfactory single pilot was attainable. Interestingly, the increased sophistication of the MEP warranted by the single pilot goal was not reversed when that goal was not achieved; in fact, the MEP has actually increased in complexity and sophistication since that event.

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[6] The Alexander A. Nikolsky Lecture presented at the 1989 Annual Forum of The American Helicopter Society by Mr. Charles C. Crawford, Head, Aviation Technology Branch, Georgia Tech Research Institute and former Technology Director, U.S. Army Aviation Systems Command

[7] Reliability and Maintainability (RAM)

The next major perturbation in the MEP evolution was the result of Congressional concern over extensive proliferation of radar warning receivers on military aircraft; many of them were shown to be duplicative. This concern led to an effort to require more commonality of avionics systems between aircraft types. OSD instituted management controls to oversee enforcement of a policy of maximum practicable commonality.

The first step was to direct that INEWS[8] and ICNIA[9] would become standard and would be employed on ATA, ATF, and LHX. The JIAWG[10] was empowered to coordinate the multi-system applications and an early JIAWG action was to define a common system architecture on which system designs could be based. The result was the Advanced Avionics Architecture or A^3, an intensely integrated conceptual scheme based on a concept called Pave Pillar. This concept envisages that all computational processing will be accomplished in two redundant computer compartments receiving unprocessed but formatted data from sub-systems and providing fully processed and integrated data to other sub-systems and flight crew.

The full story of JIAWG accomplishments is complex and not fully relevant to this paper. In summary, ATA is proceeding with its own avionics design, the goal of common hardware now means common architecture and common technology but not necessarily common hardware, common INEWS and ICNIA packages are unlikely to any substantial degree, substantial interoperability is likely but not assured, and avionics designs for ATF and LHX are more likely to be determined by prime team winners and their industrial relationships than by an authoritative JIAWG.

One other outcome is especially relevant; the A^3 definition is subject to ample enough interpretation that system contractors have wide latitude in tailoring the architecture to segregate or compartmentalize processing functions to a substantial degree.

This is an important modification to the original Pave Pillar concept because it permits the development of the software into more manageable packages with less likelihood that a failure of one software function will adversely effect others widely.

This "good news" does not mean that the MEP software development will proceed successfully as now envisioned. Quite conversely, the LHX software is the most complex and difficult developmental challenge ever attempted by the Army. It involves the processing

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[8] Integrated Electronic Warfare System (INEWS)

[9] Integrated Communications, Navigation, and Identification Avionics (ICNIA)

[10] Joint Integrated Avionics Working Group (JIAWG)

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and integration of hundreds of functions, many of which would be a substantial challenge if addressed alone.

The full magnitude and complexity of this task is not known by a large margin. It is very likely that current estimates for the lines of code needed are underestimated by a factor of at least ten. Many software intensive functions required for the LHX system are not yet defined and are without a reasonable precedent on which estimates could be based.

Examples include a complex imbedded training system, a sophisticated mission planning system, an integrated logistics system, and a comprehensive integrated training concept. Others involve technically sophisticated concepts that have defied solution for years, such as the target acquisition system that must process multi-spectral imagery to detect and classify battlefield targets with a fidelity far beyond our successes to date.

The MEP also contains numerous technical challenges for sub-system devices that will be difficult quite apart from the software difficulties. The requirement calls for an advanced FLIR that the Army badly needs, but the LHX schedule preempts the Army SAIRS[11] development and the technology for the LHX FLIR will be determined by the industrial relationship of the winning prime contractor team. Complex radar and IR jammers are also an integral requirement that are especially challenging because they must be accommodated within the reduced signature requirement.

The electronic devices in the MEP array must meet unprecedented levels of electrical hardening against inadvertent electromagnetic energy but also against EMP and directed energy weapons (HPMW). Optical system must perform at new levels of sensitivity and resolution while protected from laser weapons, two contradictory requirements.

e. Other Significant Risks: This complex aircraft system has many other areas of potential development risk but to assess each meaningfully would grow this paper beyond the interest of its intended audience. However, it is instructive to identify additional areas beyond our experience and therefore must be considered to be a concern.

The Longbow weapons system has been shown to be important to the effectiveness of LHX, assuming that Longbow meets its developmental goals. It is now being integrated into Apache. The LHX program also plans to incorporate the Longbow system but not in the initial production lots.

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[11] Standard Advanced Infra-Red System, a development to replace the current generation of Common Module FLIRs with wide potential applications.

Since the FSD effort for Longbow will incorporate advanced electronics for the near future, a reduction in weight of that magnitude must be approached with some skepticism. A comparably lower cost without any reduction in system performance is also projected. Since development for Apache has only recently begun and its costs are uncertain, the cost of a more advanced version for LHX is little more than speculation.

One clear lesson of our history of military developments is that we must frequently press beyond proven technology to meet continually advancing threats, but when we do, we can expect increasing difficulties that manifest in schedule delays and increased costs. Another lesson that we seem to not learn is that we are capable of frequent self delusions regarding the risk of advanced weapons systems. It has been our consistent experience that completely unanticipated problem areas have proven to be the most meddlesome.

Additional areas of, perhaps, inordinate risk in the LHX program that have not previously been identified include-

- Normal, lateral, and yaw maneuver criteria beyond our experience
- Extensive use of composites for primary structure
- Employment of novel counter-torque/yaw control concepts
- Densely packaged electronics requiring extensive cooling
- New gun developments with unprecedented accuracy goals
- Rocket delivery accuracies well beyond our experience
- A pressurized fuselage serviced with air filtered of nuclear, biological, and chemical agents for which there is no precedent
- Extensive use of on board fault diagnostics
- A new engine development by an inexperienced design team
- A ballistic hardening goal that avoids the issue of sensitive explosives in the on-board missiles
- In flight auto alignment of weapons and optics

f. Operating Costs: This issue warrants a special discussion because it has been a key factor in justifying the LHX for at least the past six years and because it is one of the principal developmental goals that is the most clearly unachievable. Further, it relates directly to other important and highly claimed developmental goals such as maintainablity and reliability.

The uncertainties of operating cost estimates are addressed briefly in Par. 5d, above. This section will focus on the factors that make current projections of operating costs unrealistic. The emphasis will be on relative costs (relative to known systems) because absolute cost factors are fraught with definitional and other difficulties.

Early presentations in support of the LHX program identified about 7,000 helicopters in inventory that were obsolescing and required replacement. This inventory targeted for replacement by LHX consisted of about 6,000 utility helicopters and about 1,000 AH-1 Cobras. The utility helicopter inventory consisted about 2,300 very light (about 1,500 lbs empty weight) utility helicopters and about 3,700 UH-I (about 5,200 lbs empty weight).

Although the Black Hawk was developed specifically to replace the UH-1, it was reasonably argued at that time that the Black Hawk was larger and more costly than needed for many of the utility functions for which UH-1s were being employed. The initial intent of the LHX program was to provide an economical utility helicopter that could effectively accomplish the myriad tasks now performed by the current light utility fleet, freeing the more capable Black Hawks primarily for troop assault roles.

Early program briefing frequently cited lower costs of ownership as a major program justification. In fact, a cost of ownership imperative of "30 - 40 percent" less than the fleet it was intended to replace was frequently cited as a condition for the program.

As the program progressed in its definition process, the LHX grew in cost and sophistication beyond what was considered to be an affordable light utility helicopter and that configuration was terminated. The notion that the current attack configuration could be less costly to own and operate than Cobras lost any sense of credibility, and more recent cost comparisons have compared procurement and operating costs of LHX to the costs of Apache.

The Apache was developed specifically to replace the Cobra and maintainability and reliability and associated costs were major development goals.

It is instructive to examine the experience of these two earlier developments to gain insights as to the likelihood of attaining maintainability and reliability goals for LHX.

No facet of the Black Hawk development had greater management attention and engineering effort than maintainability and reliability. This effort resulted in enormous increases in component life and greatly reduced failure rates of individual components. In addition, numerous fault detection devices were installed and the basic design compromised weight and other factors to assure ready access for component repair or replacement and for

servicing. Further, on board avionics were restrained to a minimum to avoid that area of complexity and potential failures.

To describe the results as disappointing would not be adequate. Consider the comparative cost per flight hour for UH-1 and Black Hawk as computed by the Comptroller of the Army.

COST PER FLIGHT HOUR

	Black Hawk	UH-1
Repair and spare parts	$ 819	$ 185
Field maintenance	169	47
Depot maintenance	374	178
Military personnel	2014	1288
Fuel	147	81

The operating cost experience with Cobra and Apache are comparably disparate. Civil operators have experienced similar results when replacing older helicopters for more modern designs. Civil operators procure the more modern systems for the same reason as military operators; that is better performance.

These results derive from the fact that complexity increases in the more modern systems overwhelms the dramatic increases in component lives and other favorable maintainability features. Fault detection devices have been useful for flight safety considerations but have generally resulted in increased maintenance loads rather than a reduced load, except, perhaps, for some electronic BITE indicators.

The helicopter experience has been similar to the automobile experience in that incorporating fault detection and isolation systems for mechanical, electrical, and hydraulic systems has been an elusive goal.

This experience with the earlier developments does not provide a basis for confidence that the LHX development will provide a system with operating costs more favorable than Apache as advertised. In fact, the LHX is extensively more mechanically complex than Apache and hugely more complex electronically. A major increase in development funding and schedule coupled with a rigorous focus on maintainability might achieve the desired goals, but such cannot be assured.

As stated previously, judgments regarding the merits of the LHX acquisition should be made with a realization of its more likely costs. Program briefing that continue to focus on this cost saving issue merely jeopardize credibility in the program and the integrity of the acquisition process.

8. **READINESS TO EXIT THE DEMONSTRATION/VALIDATION PHASE:** Major reviews at key transition milestones are a principal management tool of the Department of Defense for new acquisitions, practiced by both the Services and the OSD. The Congress also recognizes these major review milestones by allocating funding into budget accounts comparable to the program's acquisition phase. The milestone reviews have been structured to provide acquisition managers with a measure of program status and progress. The effectiveness of these reviews has generally been diluted by the lack of objective quantitative measure of program status or progress.

a. The LHX TEMP: The Light Helicopter (LHX) Test an Evaluation Master Plan (TEMP) is the documentation intended to instill discipline into the progress review process. The LHX TEMP lists 16 characteristics with descriptive thresholds to be accomplished at each milestone as evidence of readiness to proceed into the next scheduled phase of acquisition. These are listed below together with the thresholds to be achieved and demonstrated during Dem/Val Developmental Tests (DT). The same characteristics but with progressive thresholds apply at subsequent milestones.

Characteristic	Threshold
1. High speed search 5x40 deg scan within t_s sec[12]	Lab demos of DELETED deg scan within DELETED sec
2. Manual detection/recognition at DELETED probability DELETED km (stored scene)	Lab demos of 0.7 prob of detection/recognition at
3. Laser designation at DELETED day, DELETED night	Lab demos, error budget analysis DELETED km day, DELETED km night
4. Manual detection/recognition at DELETED day, DELETED night DELETED prob, real time	Lab demos and analysis at DELETED km day, DELETED night DELETED prob det/rec, real time
5. Image quality for Night Vision Pilotage System	1800 deg^{2}FOV @ 60% of MRT values and 85% of system resolution
6. VHSIC 1750A Data Processing Rate	2.0 MIPS (DAISMIX)
7. Structural Integrity ROC= 3.5 G's	Composite materials properties test and analysis for stress allowables and design loads

[12] t_s, required time to scan is classified and distributed separately

8. Aeroelastic / Aeromechanical Stability	Rotor aeroelastic/aeromechanical stability demos by wind tunnel testing and analysis
9. Hover turn to target 180 deg in 5 sec required	Wind tunnel demos of large scale model anti-torque system thrust for 45 deg/sec turn
10. High speed sustained load factor; avoid 300' obstacle	Wind tunnel demos and analysis, rotor thrust = 1.7 G's at V_{br}
11. Vertical Rate of Climb @ 4000' 95 deg F required 500 fpm @ PMGW	Wind tunnel test, isolated main rotor test and analysis to demos rotor thrust to 500 fpm
12. Dash speed @ PMGW, IRP, 4000'/ 95 deg F 170 kts	Wind tunnel interaction demos and analysis > 170 kts
13. Crew armor ballistic protection from 12.7 mm API	Preliminary design analysis to support meeting 12.7 mm API requirement
14. Main rotor and drive system ballistic protection from 12.7 mm	Preliminary analysis to support meeting 12.7 mm API requirement
15. Fuel system ballistic protection	Preliminary design analysis to support meeting 14.5 mm API req.
16. Airframe ballistic protection	Preliminary analysis to support meeting 12.7 mm API requirement

b. TEMP Shortcomings: Even a cursory scan of these measures of milestone achievement discloses that many of the characteristics most highly touted to justify the program are not listed. These include signature reduction, empty weight, unit procurement and operating costs, RAM[13] criteria, and gun accuracy.

Others are so inadequately described as to have no significant meaning. For example, detection and recognition probabilities (2 and 4) have no meaning unless the scene and target array are described.

Another example, airframe protection from 12.7 mm API threats (Characteristic 16) would seem to imply that the airframe is armored or otherwise from that threat when such is clearly not reasonable.

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[13] Reliability, Availability, and Reliability (RAM)

These shortcomings, in part, represent a difficulty with all TEMPs. Many tests require a detailed description to be meaningful, but such detailed descriptions are too voluminous to be appropriate for the TEMP. This situation results in subsequent controversies as program proponents can conduct a test that can be readily passed and claim success whereas test officials are empowered to declare subjectively that the tests have been inadequate and therefore are invalid.

This situation has been the source of frequent problems on past programs and will likely result in similar difficulties for LHX unless the TEMP process is revised.

It has been frequently suggested that specific tests are described in numerous detailed test plans and that if these were identified in the TEMP together with a review schedule of the detailed test plans, the potential for subsequent controversy could be minimized. However, this practice has not been adopted as a general policy so this difficulty will persist.

Another common problem with the concept of the TEMP as a vehicle for measuring progress at key milestones is the difficulty in defining credible quantitative measures for many important characteristics, especially at the earlier milestones. For example, reliability and empty weight progress on LHX are difficult to measure with confidence at this stage. However, they have been declared important attributes and are measurable at later scheduled milestones. To exclude them from the TEMP, intended to be a life cycle document, diminishes its meaning as a management tool.

c. Successful completion of the DEM/Val Phase: Neither the TEMP or any other meaningful document provides an adequate set of objective criteria to provide an objective judgement as to successful completion of the DEM/VAL Phase. The subjective analyses completed for this assessment indicate the many uncertainties will remain unresolved and that the potential adverse impact of these uncertainties is aggravated by funding and schedule deficiencies planned for the FSD Phase.

9. **CONCLUSION**: It is my conclusion in this analysis that the LHX development as currently planned involves inordinate risks in attaining cost, schedule, and performance goals and that these three areas of risk are interrelated.

I thank the Committee for this opportunity to place these views before you and I sincerely hope that you will find them useful in your deliberations.

Mr. MURTHA. The LHX is something we are going to look at hard this year. As a matter of fact, we put money in for a prototype last year and we just couldn't find the money to follow it through in the Congress, and we had to take it out. We appreciate what you are saying and taking the time to testify. Mr. McDade.

Mr. MCDADE. No questions.

Thank you for your statement.

WEDNESDAY, MAY 2, 1990.

AMERICAN PSYCHOLOGICAL ASSOCIATION

WITNESS

HENRY L. TAYLOR, PH.D., PROFESSOR OF PSYCHOLOGY, AND DIRECTOR, INSTITUTE OF AVIATION, UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

INTRODUCTION

Mr. MURTHA. Our next witness in Mr. Henry Taylor, with the American Psychological Association. Mr. Taylor.

STATEMENT OF MR. TAYLOR

Mr. TAYLOR. Mr. Chairman, Members of the committee, I am Henry Taylor, Professor of Psychology and Director of the Institute of Aviation at the University of Illinois at Urbana-Champaign. I am also past President of the American Psychological Association, Division 21—Applied Experimental and Engineering Psychology. In addition to my association with the APA and the Academic community, I am a retired Air Force Colonel and served for six years in the Office of the Secretary of Defense, and prior to that, for three years in the Air Force Systems Command as a Program Manager for the Air Force Human Resources Laboratory.

SIMULATION AND TRAINING FOR PILOTS

I testify on the part of the American Psychological Association, which represents the concerns of about 102,000 psychologists, many of whom conduct behavioral research on military issues. I would like to comment on three examples that I think are important technology in today's military environment. The first concerns the use of individual simulation and training for training pilots. I will use an example from our own laboratory.

We have a pilot training program and a research lab, and have used students to conduct research over the last four years on the introduction of early instrument training and accelerated instrument training, and increased use of simulators for pilot training. As a result of this work we have reduced the program by a full semester saving training time and reducing the cost to students by $2200. This technology has implications to the military.

SELECTION AND CLASSIFICATION

The second program I would like to talk about is a selection and classification program which essentially selects the right person for

the right job from among the demographic populations. This is an old technology, dating back to World War I and provides first selection for the Military Services and results in cost avoidance annually over random selection of $600 million. If we were to select and assign on an individual basis, rather than on a group basis, each person that was recruited, we could have an additional cost avoidance of about $160 million.

SIMNET PROGRAM

The final area, example I would like to give, is the SIMNET, a DARPA initiative, dealing with unit training, low cost, off the shelf computer network stations like the MacIntosh, in a distributed system. It provides real time force on force soldier in the loop and commander involves simulation for armor and tanks.

It is the first system to achieve realistic interacting simulator networking for unit training of combat battalions in Europe. A colleague from the Senate, Senator Nunn, has used this as an example on April 20, of additional increases for the Department of Defense.

A couple of points. In addition to combat training, this system can be used to provide a combat situation for the development of new concepts, doctrine and tactics for the Military Services. Low intensity conflicts, like those in Panama and Libya, and Grenada, it could in scenario, by distributing this training throughout the United States and in Europe.

It also can be used in the development test of weapon system design. Recently a weapon system by the Army, the NOLOS MLOS, a missile system, resulted in cost savings by using the SIMNET, of about 500 to 1, an expenditure of about $100,000 compared to $50 million, if the same demonstration had been done in real time. So SIMNET offers a great deal.

SUMMARY

In conclusion, the American Psychological Association would like to urge the committee to return the funding for basic exploratory development and advanced development, 6.1, 6.2 and 6.3 R&D for personnel and training technology and human factors from the current levels in fiscal year 1990 of about $371 million to the level of 1987 plus or minus three percent advance over the three years to a level of about $243 million for fiscal year 1991. That would be an increase of $70 million. We think this is well deserved in terms of the payoffs that this program can have in times of reduced force effectiveness.

Thank you for the opportunity to appear.

[The statement of Mr. Taylor follows:]

American Psychological Association

Advancing psychology as a science, a profession, and as a means of promoting human welfare

TESTIMONY OF

Henry L. Taylor, Ph.D.

Professor of Psychology and

Director, Institute of Aviation

University of Illinois at Urbana-Champaign

on behalf of the

American Psychological Association

before the

UNITED STATES HOUSE OF REPRESENTATIVES

Committee on Appropriations

Subcommittee on Defense

on the subject of

Fiscal Year 1991

Department of Defense Appropriations

May 2, 1990

The Honorable John Murtha, Chair
H-140 Capitol Building

1200 Seventeenth Street, N.W.
Washington, D.C. 20036
(202) 955-7600

American Psychological Association
Summary of Recommendations

Slight changes in appropriations (at comparatively low dollar amounts) can reduce the chances of human error and improve human performance thus building a better trained, more highly qualified, and more efficient (though smaller) military force. In consideration of the military appropriations legislation (and in light of the current fiscal climate surrounding DOD), the American Psychological Association recommends that this Subcommittee:

1. Specify that 10% (rather than the current 3%) of the basic research funds (less than one-half of a percent of the DOD training budget) be used for human behavioral factors research because it can provide the basis to save lives, improve military effectiveness and dramatically reduce costs.

2. Require the research agencies to report the amount of the research carried out on humans and the class of issues that are being addressed.

3. Increase 6.1 (Basic Research) funding to 4% of the DOD budget, its level of funding ten years ago.

4. Increase the level of 6.1 (Basic Research), 6.2 (Exploratory Development), and 6.3 (Advanced Development) research funding devoted to training, human factors, and personnel technology from the current overall level of $173 million (in FY'90) to a level equivalent to the FY'87 level of $215 million where a slow but steady decline in funding for these areas began (including an inflationary adjustment of 3% per year this would bring the total to approximately $243 million -- an increase of $70 million in FY'91).

5. Encourage the incorporation of human factor considerations in the procurement of equipment and the development of training programs.

6. Provide long-term and consistent funding of basic research so agency managers can develop programs of research to address fundamental issues regarding the human factor.

Mr. Chairman and Members of the Committee, I am Dr. Henry L. Taylor, Professor of Psychology and Director of the Institute of Aviation at the University of Illinois at Urbana-Champaign. I am also past president of the American Psychological Association's (APA) Division 21 (Applied Experimental and Engineering Psychology). In addition to my association with the APA and the academic community, I am a retired Air Force Colonel and served for six years in the Office of the Secretary of Defense with responsibility for personnel and training technology programs.

I am testifying on behalf of the American Psychological Association (APA) which represents the concerns of 102,000 psychologists, many of whom conduct behavioral research on military issues. The field of psychology has a long involvement with the military. On April 6, 1917, as the United States entered World War I, a group of psychologists convened at Harvard to discuss how psychology could contribute to the war effort. The meeting came out of the creation of the National Research Council (NRC) by the National Academy of Sciences in 1916 to organize scientific support for the impending war effort. As a result, the Committee on Psychology was formed. The efforts of this Committee led, among other things, to the psychological screening of over 4,000 recruits at four Army and Navy Camps. By 1919 more than 1,726,966 inductees had been administered newly developed intelligence tests.

Since this early effort psychology has become more deeply committed to supporting the efforts of the military, with research psychologists expanding into new and diverse areas. Behavioral/psychological research can contribute significantly toward improving military readiness and performance in combat situations. Gains in these areas already have been achieved through psychological research on: testing/screening; training; simulation devices; human factors engineering; auditory classification; visual perception; studies of motor function; decision making; group and organizational behavior; and neuroscience.

At the University of Illinois at Urbana-Champaign, the Aviation Research Laboratory (ARL), of the Institute of Aviation, conducts research on the application of psychological theory and principles to human factors in aviation. The University of Illinois also has a program in engineering psychology which is sponsored by the Institute of Aviation, the Department of Psychology, and the Department of Mechanical and Industrial Engineering. The interdisciplinary nature of our programs allow research projects to be conducted from three perspectives. The aviation perspective is one that is concerned with the needs of the pilot/controller. The psychological perspective emphasizes basic models of attention, cognitive processes, human performance, learning and training. The engineering perspective emphasizes

quantitative modeling, human-system interaction, and the human-computer interface.

The emphasis of the human performance research area at the ARL is on developing and validating models of pilot performance in the following areas: visual information processing and visual displays; spatial awareness; attention, workload and performance measurement; pilot judgement; individual differences and prediction; and crew coordination and communications.

The strength of our military is largely determined by the skill, training, and appropriate use of its greatest resource — people. Behavioral science involves the objective study of human performance through observation, experimentation, and modeling of human behavior. In every weapon system it is the soldier who maintains the system, performs the final data analysis, and launches the weapon. The military has supported the study of materials to ascertain how to temper and shape metals and determine their limits under stress. Yet, much more serious risk of loss of life and effectiveness comes from inadequate training. A twenty-three year old pilot must comprehend multiple computer screens while controlling a multi-million dollar aircraft and an error of one second can cause death.

It is vital that we study how to train and organize humans to perform in complex and stressful situations. Military personal are dedicated, intelligent, hard working individuals. These men and women deserve a commitment to understanding human performance and learning. Our country's military benefits from knowing how humans perceive scenes, how to train individuals to develop high performance skills, how to maintain those skills, and how to obtain high performance levels without increasing the chances of catastrophic human failures.

The military must train more people in less time to perform more complex tasks than ever before. The Air Force Training command is the largest education and training system in the free world. It trains 425,000 students in 6,300 courses in 350 career fields. The complexity of this task becomes quite clear when you realize that the training and maintenance manuals for the M1 tank weigh more than the tank itself. It takes at a minimum an investment of four years to train an expert technician — and then their tour of duty ends.

The military must take the lead on funding the study of skilled performance of active normal individuals performing demanding jobs. The responsibility for basic research on human skilled performance rests with the Department of Defense. Military funding has made important contributions in the study of human factors, but real funding levels are declining just as the need for this work in becoming more apparent.

BENEFITS OF TRAINING SYSTEMS

A training system consists of hardware, software, courseware and instructors interacting in such a way that student performance is improved in the operational environment. Training systems have proven their value in both war and peace and the benefits of training systems are discussed below.

Training Systems Save Lives

Simulators provide training in emergency procedures that cannot be replicated safely in operational equipment. Examples include taking off on icy runways, landing with an inoperable engine, and practicing damage control procedures in a submerged submarine.

The use of simulators reduces the loss of life and equipment. More air accidents result from training flights than from any other peacetime flights. In testimony before the Senate Armed Services Committee in 1984, the Navy told how the A-7 simulator program saved as many as 25 A-7s over a five year period.

Table 2 shows Navy mishap statistics for the years 1985-1989. During this time period the Navy determined that up to 80% of these mishaps were attributable to inadequate aircrew coordination. In 1988, according to the Navy, the number 1 identified mishap cause factor was inadequate aircrew coordination with regard to seven different aircraft.

Training Systems Save Money

Table 1 contains the average hourly operating costs of various aircraft along with the operating costs of their simulators. Note that the average ratio between the cost of an actual flight hour and a simulated flight hour is 16/1.

At about one million dollars apiece, only 20 of the Navy's long-range Phoenix air-to-air missiles are fired each year. The high cost of the missiles does not permit much opportunity for the crews to practice using the real missile. Thanks to a low cost realistic training system, the crews can afford to fire the "Phoenix" an unlimited number of times.

The cost effectiveness of the military is heavily dependent on the human factor. It has been estimated that maintenance costs consume 25-30% of the military budget (Nawrocki, 1981). Maintenance costs represent 90% of the life cycle costs of electronic gear (Christensen & Howard, 1981), and field studies have indicated that 70% of the Army electronic equipment was inoperative at the time these studies were conducted (Feineman, 1978). Similarly, after spending $15 billion dollars funding an aircraft carrier battle group, it is cause for concern when the Admiral reports that the effectiveness of the group is compromised by a lack of training by controllers. Likewise, funding that finances a warehouse full of equipment that cannot be fielded or used effectively is clearly not a wise investment

of taxpayer funds. At any one time there are nearly one quarter million maintenance technicians in the armed forces -- approximately 25% of them are new. Effectively training these personnel is of vital importance to the military.

Training Systems Contribute Directly to Readiness

Using a video disk training system that costs $35,000-$50,000, tank gunners can learn to shoot quickly and accurately. In fact, students trained on this system fire faster than those trained on operational equipment. Speed is important. The Army has evidence that, in battle, whoever fires the first shot usually wins.

To insure combat proficiency and readiness the DOD should launch a major program to invest in simulation training devices to permit enhanced proficiency training without employing expensive field training. For example, it is now possible to link tank crews in simulators in Kentucky with those in simulators in Texas to train together as a combined force, and even to "fight" against similar combinations of simulated "enemy" forces linked electronically from various locations around the country.

SIMNET, an acronym for "Simulator Networking," was initiated as a DARPA project on Large Scale Simulator Networking in 1983. It is the first system to achieve true interactive simulator networking for the collective training of combat skills in military units from mechanized platoons to battalions. SIMNET is also adaptable for training or exercising commanders and staffs at higher echelons, useful in the development of military concepts and doctrine, and suitable to the testing and evaluation of alternative weapon-system concepts prior to acquisition decisions. The DOD should use this available technology. The necessary investment will be greatly offset by the substantial savings noted above.

Training Systems Improve Overall Performance

Studies show that the rate of learning can be improved with simulated flying. Some flying tasks are mastered more quickly and brought to a higher skill level when the components of the task are practiced separately or in an order different from the natural one.

Simulation allows more concentrated practice by eliminating operational or real life delays that do not contribute to learning. Simulation provides tailored instruction and useful, timely feedback to the trainee. Students can learn why they did not perform a task correctly and how to correct their mistakes.

An example can be drawn from the World War II air-battle experiences of the German and American forces in the European theater. This is shown by the air combat loss rates represented in a non-classified form in Figure 1.

The German pilots experienced about 40% first-mission losses, whereas the American first-mission loss rate was half that, or about 20%. This advantage has been attributed fully to the differences in their "training". The Germans were short on fuel. Although they trained their pilots well to fly their aircraft, they did not have fuel "to waste" on the training of air-combat maneuvering skills. The Americans used the extra fuel and did train those skills to their pilots.

Even more to the point, however, evidence obtained with the Advanced Simulator for Pilot Training (ASPT) at the Operations Training Division of the Air Force Human Resources Laboratory has more than suggested that similar advantages can be gained by augmenting flying training with air-combat "simulator" training.

HUMAN FACTORS AND HUMAN ERROR

Human error refers to any situation where an observer fails to perceive a stimulus, is incapable of discriminating among several stimuli, misinterprets the meaning of a stimulus, makes an incorrect decision, fails to select the correct response, or performs the response in an incorrect manner.

While human error will always be with us, there are discernable personal characteristics that have an influence on the frequency of errors. These include such factors as fatigue, disorientation, distraction, motivation, forgetting, complacency, confusion, incorrect expectancy, excessive stress, boredom, inadequate skills and knowledges, and inadequate or impaired perceptual or cognitive ability. Such factors can certainly contribute to the occurrence of errors, and in some cases even cause errors.

It is also well established that factors external to the individual can influence the potential for human error. Elements of the job or task, design of equipment, operating procedures and training can affect the potential for error. These external factors can be classified as situational and design factors.

In a 1980 report to Congress entitled, "Effectiveness of US Forces Can Be Increased Through Improved Weapon System Design", the General Accounting Office (GAO) reported that poor design of equipment can significantly increase the probability of error-induced failures once a system is deployed. The GAO listed characteristics that influence error potential including: indicators and readouts not readily visible, parts not readily accessible, overly complex visual aids, unclear labeling and instructions, and awkward equipment layout and arrangement.

Human error has been cited as a causal or contributing factor in an increasing number of incidents and accidents. The GAO report quoted above further reported that at least 50% of the failures of major weapons systems

are due to human error. A number of other sources have estimated the incidence of human error as a causal factor in a variety of accidents and incidents. These include the following:

- The Army Safety Center in 1984 reported that 5 years of accident experience revealed that 80% are due to human error;
- A National Transportation Safety Board investigation of 62 marine accidents in the 1970-80 timeframe revealed that 33 were collisions and that human error was the predominant cause of ship collisions;
- An American Nuclear Society Report in 1986 stated that 90% of facility emergencies involve human error;
- A study of the role of human error in chemical plant safety in 1987 found that most accidents were due to human errors;
- The Office of Technology Assessment estimated in 1986 that 62% of hazardous material spills were due to human error;
- A Boeing study attributed 65% of all airline accidents from 1959 to 1986 to human error;
- The Navy Safety Center cited human error as the cause of 85% of ship accidents;
- The Nuclear Regulatory Commission attributed 50% of nuclear power plant accidents to human error;
- According to the U.S. Department of Transportation, 90% of all automobile accidents involve human error.

Tragically, the military catastrophes of the last decade have been the result of human error. In the Vincennes incident, the lack of training in decision making under conditions of uncertainty, combined with a limited appreciation of the limits of human decision making under stress, produced a predictable and tragic decision resulting in the death of all 290 passengers onboard an Iranian Airbus. In Desert One in Iran, problems with maintenance and training combined with bad weather to set the stage for serious errors, a failed mission, and loss of life.

HUMAN FACTORS RESEARCH

Human factors is the scientific and engineering discipline concerned with reducing the incidence and the impact of human error in complex man-machine systems. Human factors represents a marriage of behavioral science and engineering and is directed at integrating people into complex systems. The discipline had its impetus in the critical requirement to fully

integrate human operators into high performance aircraft and spacecraft systems. Today the methods and data of human factors are being applied to a wide variety of complex man-machine systems. The principal elements of human factors include: 1) human engineering, concerned with the design of man-machine interfaces, information processing, environments, and procedures; 2) manpower, personnel and training, concerned with selection, assignment, training and utilization of people in systems; and 3) life support and safety.

The demographic trends of the future require that we maximize the skill and abilities of new recruits and existing personnel in the military. By the year 2000, the number of 18 to 24 year olds will drop 19% relative to 1980 levels. There will be fewer top quality people available to recruit. We must invest in studies to determine how to quickly train these people to perform highly demanding jobs. Further, the age of military personnel will be increasing. We study how commercial airplanes age; not studying how human cognitive processing changes with age is clearly shortsighted.

SCIENTIFIC STUDY OF THE HUMAN FACTOR

The scientific study of human behavior identifies relationships that can be used to reduce training costs and to yield better performance. Basic research in psychology investigates what humans perceive in a scene, how attention is allocated, how decisions are made, how people learn, how groups communicate, what motivates individuals to succeed, and why individuals differ. This research develops laws that predict performance. Mathematical functions (i.e. Power Law, see Newell & Rosenbloom, 1981) can be used to accurately predict how people improve with practice. This allows one to determine how much training is needed for reliable performance. For example, findings from psychological studies of eye movements and map reading could have predicted that the single person design of the LHX helicopter was beyond the operational limits of the human operator.

Results from cognitive psychology can also be applied to train to seemingly impossible human performance levels. Researchers (Ericsson, Chase, and Faloon, 1980, ONR sponsored research) have improved individuals' short term memory capacities from 8 digits to 80 digits. Think of somebody reading you an 80 digit phone number and then you going to the phone and dialing it without error. It can be done.

Studying the human factor allows more effective allocation of training resources. How should we use textbooks, lectures, desktop simulators, high performance simulators, and flight time to develop pilots? For example, some of a pilot's skills can be taught as effectively using a cardboard mock up of the cockpit as in an expensive high performance simulator (see Caro, 1988, Prophet & Boyd, 1970). Understanding the tradeoffs and transfer for different training systems is very important for costs and safety considerations. There is a tendency in procurement to buy the highest

fidelity simulators at the cost of severely reduced training time. The result is often that pilots get only a few practice trials performing critical maneuvers in simulators. Ask yourself, how good are you at performing a new function on a word processor (e.g., how to underline some text) after only three trials? Would you feel comfortable with only three trials performing a critical task if your life depended on it? We know that increasing the number of training trials has a large impact, whereas adding the color and physical motion of the cockpit do not. Hence for many tasks having multiple lower cost simulators may be preferable to fewer high fidelity simulators. Basic research provides the principles that can decide these questions.

Here are some examples of applying results from basic psychological research. In training Air Force electronics technicians, Air Force evaluation tests found that 25-30 hours of training with a simulator was equivalent to four years of on the job training. This simulator (Lesgold, Lajoie, Bunzo, & Eggan, 1988) was based on basic research sponsored by the Office of Naval Research and the Air Force.

We can avert disasters applying the methods and results of behavioral science. Human processing of radar screens has been studied to understand how controllers move their eyes and how rapidly the information they look at is forgotten. A model of human performance in this task predicts how many aircraft can be controlled before serious human errors occur (Moray, Neil & Brophy, 1983). This model allows evaluation of new radars and estimation of manning levels as a function of workload. It also can be used to inform commanders of when the human factor will begin to break down.

Applying basic behavioral research to the military can save lives. Low altitude flight in jets and helicopters is the greatest cause of fatalities in training. At one hundred feet above the ground at 500 miles per hour, a pilot is likely to crash if he looks at his instruments to see what to do. On a turn, the pilot has only three quarters of a second to make a decision (Haber, 1987). The pilot's life depends on his ability to estimate altitude based on the visual scene. Models of attention and perception show how those estimates vary as a function of the texture of the visual scene. If the pilot flies over a lake bed, he has to pull up because he can no longer visually estimate the altitude. By applying basic attention and perception research, a psychologist redesigned the low altitude flight curriculum for the Arizona National Guard. He taught instructors what students should look for, how to make critical responses automatically, and how to sequence training to build flight skills. The instructors now apply the psychology of human performance in training low altitude flight. The results have been so successful that the approach is now used throughout the US Air Force.

FUNDING LEVELS FOR BEHAVIORAL RESEARCH

Funding levels for behavioral research are disproportionately low. Forty seven percent of the defense budget is related to personnel, yet only three percent of the basic research funds are devoted to understanding and improving the human factor (see figure 2). We spend 20 billion on training yet we spend less than one tenth of one percent of that amount on basic research related to training and human performance. In fact, we spend less on basic research on human factors than is lost in a single aircraft accident. An investment increase to life science research of 10% of the total basic research budget seems modest when considering that personnel costs consume nearly half of the entire military budget.

Despite its vital importance, compared with other military sciences, funding for behavioral research is very low and this situation is getting worse. Figure 3 shows the distribution of research funds across the major basic research agencies in DOD. Behavioral research has been increasing in the Air Force in recent years but decreasing in the Navy and Army. In the Army, only 10 of the 150 (7%) qualified proposals for human basic research were funded. The Army Research Institute had only $700,000 dollars for new starts to study behavioral issues this year. In contrast, in 1989 the Army spent sixteen times more money (5.2 million) on new starts for basic research on the study of materials, funding 85% of the qualified proposals. If the human factor is the major factor limiting defense performance, it should be a major factor in basic research.

The DOD budget is divided into 11 classifications. One of these classifications - research, development, testing and evaluation (RDT&E) - comprises six activities (see Table 3) frequently referenced by the numerical shorthand "6.1, 6.2, 6.3, 6.4, 6.5, and 6.6". Table 3 shows the transition from 6.1 (Basic Research) to 6.2 (Exploratory Development) to 6.3 (Advanced Development) and on to the development of an actual operational system.

Table 4 shows 6.1 - 6.3A funding for human performance R&D from 1987 to 1990. This trend data illustrates a slow but steady decline in funding for R&D relating to human factors, personnel, and training technology. The APA strongly recommends that 6.1 - 6.3A funding devoted to training, human factors, and personnel technology be increased from the current (FY'90) level of $173 million to a level equivalent to the FY'87 level of $215 million, where a steady decline in funding for these areas of research began. With an inflationary adjustment of 3% per year, this would bring the total to approximately $243 million in FY'91 -- an increase of $70 million.

THE IMPORTANCE OF STUDYING THE HUMAN FACTOR

We owe it to our service personnel, our sons and daughters, to study the human factor. Human error does not begin or end with the soldier that is stressed beyond his or her cognitive limits due to poor design or training. The second-class petty officers on the Vincennes who misread their computer screens share little of the blame, though they must live with most of the guilt of the downing of an Iranian commercial jet. The human error begins when we choose what not to investigate, what not to find out. The choice not to fund the study of the human factor, not to exploit the research opportunities that exist, not to understand the limits and potential of the human factor -- that is the beginning of the human error. In this case, what we don't know, does hurt us.

Training systems: enhance and maintain readiness through improved combat mission training; save lives and equipment; reduce costs and increase effectiveness through the interaction of human factors in weapon system acquisition; and improve efficiency and effectiveness through new selection procedures, job-analysis, and person-job-matching. In short, with a smaller force, training technology is the "force multiplier" that will insure operational readiness.

We owe it to our military personnel to keep them in a high state of readiness as well as to provide continuous and effective training that will increase the likelihood of survival in conflicts that may arise at any time in different regions of the world. Mr. Chairman, I thank you for this opportunity to testify on these issues and would be pleased to answer any questions that you may have.

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TABLE 1 Airframe and Simulator Operating Costs
Variable Cost Per Operating Hour

Airframe	Cost	Simulator	Cost	AC/Sim Ratio
F/A-18A	$1,882	2E7	$166	11
		2F132	87	21
F-14A	2,180	2E6	300	7
		2F95	67	33
A-7E	1,291	2F111	100	13
		2F103	74	17
S-3A	1,767	2F92A	76	23
P-3C	1,227	2F87B(T)	58	21
		2F87(F)	58	21
SH-2F	880	2F106	84	11
SH-3D	780	2F64C(F)	64	12
		2F64C(T)	62	13
SH-60B	771	2F135	65	12

TABLE 2 AIRCREW COORDINATION
COST/PAYOFF

NAVY MISHAP STATISTICS

YEAR	FATALITIES	LOSS ($M)
1985	60	$600
1986	58	$547
1987	66	$713
1988	66	$508
1989	78	$573

UP TO 80% OF MISHAPS ATTRIBUTABLE
INADEQUATE AIRCREW COORDINATION

1988 #1 IDENTIFIED MISHAP CAUSE FACTOR WAS
INADEQUATE AIRCREW COORDINATION FOR :

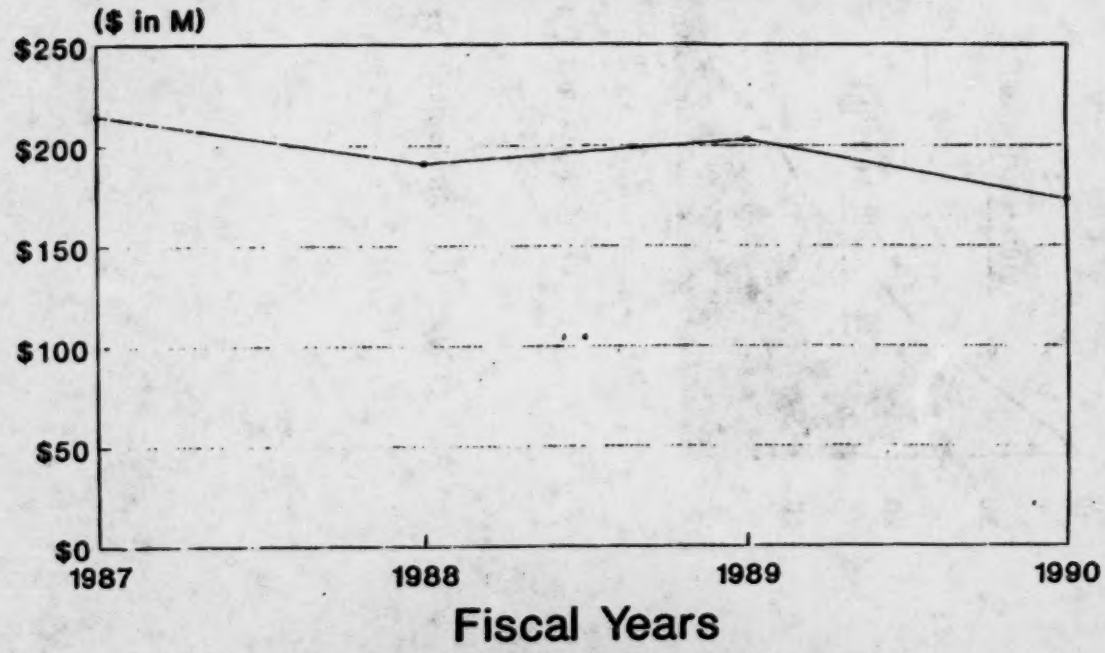
F-4, A-6, H-1, H-2, H-3, H46, H53

TABLE 3

SCIENCE AND TECHNOLOGY PROGRAM RESEARCH (6.1) EXPLORATORY DEVELOPMENT (6.2) ADVANCED TECHNOLOGY DEVELOPMENT (6.3A)	MANAGEMENT AND SUPPORT (6.5)
ADVANCED DEVELOPMENT (6.3"B")	
ENGINEERING DEVELOPMENT (6.4)	
OPERATIONAL SYSTEMS DEVELOPMENT ("6.6")	

Table 1. RDT&E by Budget Categories.

TABLE 4 HUMAN PERFORMANCE R & D
6.1 - 6.3A FUNDING



Data combine Human Factors, Personnel, and Training Technology

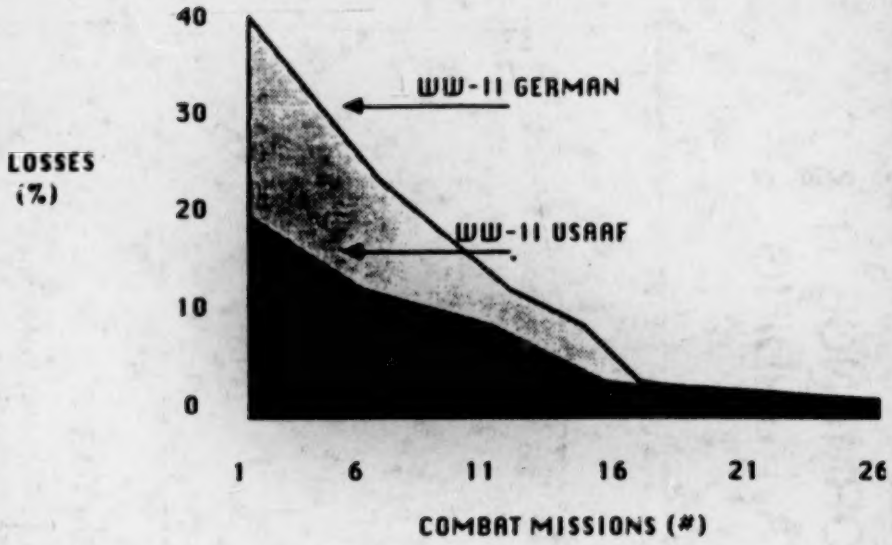


FIGURE 1 Air Combat Loss Rate

FIGURE 2 FY88 Major Budget Categories

Allocation of 6.1 Funds

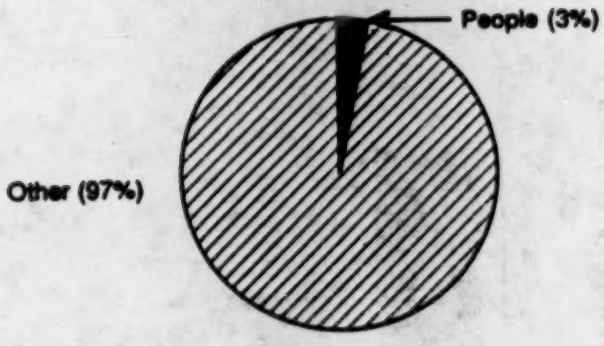
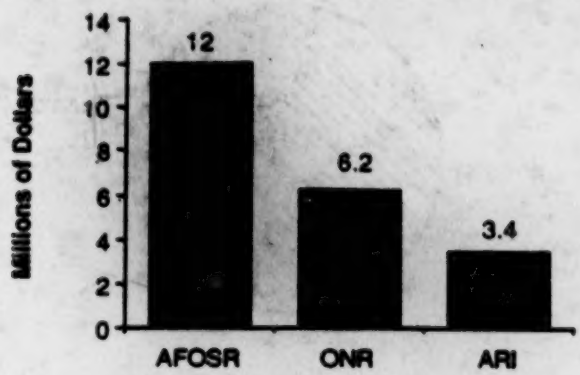
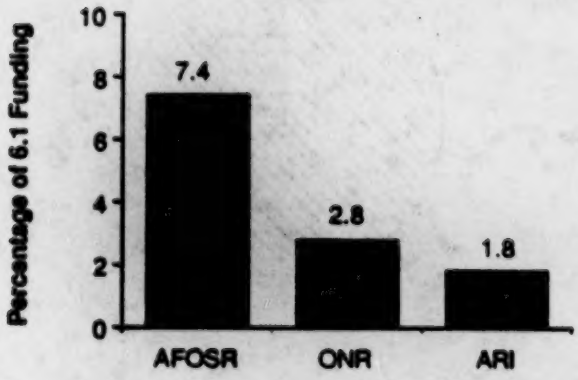


FIGURE 3 - Estimated 6.1 Behavioral Research Funding





Mr. MURTHA. Thank you very much, Mr. Taylor.

Mr. McDade.

Mr. MCDADE. No questions, Mr. Chairman.

Mr. MURTHA. Thank you all very much for coming. The committee will now adjourn until 10:00 o'clock tomorrow.

[CLERK'S NOTE.—The following statement was submitted for the record by M.I.C. Industries, Inc.]

M.I.C. INDUSTRIES

May 17, 1990

The Honorable John P. Murtha
Chairman
House Appropriations Subcommittee
on Defense
H-144 Capitol Building
Washington, D.C. 20515

Dear Chairman Murtha:

I am writing to request that you include this testimony of M.I.C. Industries, Inc. in your Defense outside witness hearing record. This statement describes a construction technology known as the Automatic Building Machine (ABM) System that is used by the military to construct permament as well as temporary buildings. As this technology is more cost-effective than other construction options and very flexible, it has proven to be a valuable resource for military commanders in satisfying numerous construction needs, including contingency operations.

During the past several years, the Congress has expressed concern over the vast amount of money that is being spent toward construction, both permanent and temporary. With the dual challenge of reducing costs while erecting sound structures, the military should look to alternatives that can meet both goals. The ABM System provides an appropriate and inexpensive alternative to conventional construction and pre-fabricated buildings.

The ABM system is an automatic building machine that forms conventional steel coils into arches that are then fastened together mechanically, without fasteners, to provide durable, leakproof structures. This technology has been used for diverse applications in the military and is currently in the defense inventory in small numbers. A number of commanders have expressed an urgent need for these machines but have been unable to secure funding.

The durable structures this technology provides have been field tested, and are used for warehouses, hangars, and administrative buildings. Also, the simple construction process allows engineer troops to erect structures rapidly in a tactical or garrison

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The Honorable John P. Murtha
May 17, 1990
Page 2

environment. Additionally, if they were added to the National Guard inventory, they would provide each state with a capability to supply emergency shelters when called to respond to civil disasters. These features combine to make the ABM System an important resource for meeting present and future needs of the active and reserve forces.

Thank you for including this testimony as part of the record. I hope that it will assist you in justifying the allocation of scarce resources to meet the recognized needs of the Services for this technology.

Sincerely yours,

Michael S. Ansari

Michael S. Ansari
Chairman & CEO
M.I.C. Industries

32-241 O—89——26

TESTIMONY OF M.I.C. INDUSTRIES, INC.

SUBMITTED FOR THE RECORD

HOUSE APPROPRIATIONS SUBCOMMITTEE ON DEFENSE

FY 1991 APPROPRIATIONS

Mr. Chairman, the purpose of this testimony is to familiarize the subcommittee with a cost-saving technology that has been introduced into the Department of Defense inventory but can be used much more widely in construction projects undertaken by the military. Also, I would like to describe the range of possible applications for this technology. The technology is known as the Automatic Building Machine (ABM) System. It is a mobile factory which allows on-site construction of steel buildings without trusses and without bolts, rivets or screws. In the past several years, the Congress has expressed concern over construction backlog and the cost of structures that are going to be built. With decreasing budget allocations and the rising cost of labor and raw materials, the ABM System can be an important resource for the military commanders. This System supplies new alternatives for installations requiring permanent facilities as well as for troop units and installation engineers who are faced with providing temporary structures for personnel, supplies and equipment during exercises. As such, certain essential construction needs can be addressed and met by procuring this off-the-shelf equipment which is both cost-effective and efficient.

The Automatic Building Machine System is a self-contained mobile factory, including its own power source and generator. One model, the MIC-120, is called the K-Span and can

construct buildings with widths ranging from 12 feet to 80 feet. The MIC-240, or Super-Span, produces buildings up to 120 feet in width. Using a single raw material, galvanized coiled steel, the ABM machines transform the steel from coils into building panels of straight or corrugated arch shape. The panels are seamed together by an accompanying automatic seaming device and are hoisted into place individually or in groups and set in a simple concrete foundation. This process creates a durable, watertight building without using bolts, rivets, screws or trusses.

The ABM system will aid greatly in the construction needs of the military, specifically in terms of cost, time and durability. The cost of the complete superstructure in semi-circular shapes, which forms the roof and walls of the buildings in one operation, is the least costly type of construction that can be found among conventional construction systems, including frame buildings, concrete and brick buildings, all types of prefabricated buildings and even conventional tents. This system can also produce buildings at a rapid pace, because of the simplicity of construction. Finally, the buildings are strong, waterproof and can withstand wind velocities of hurricane force.

This construction technology has been commercially developed and is available now as off-the-shelf commercial equipment. Even for short-term uses, the savings are so great that, following the period of use, the buildings can be left behind for use by others, disassembled and relocated to another site or simply scrapped to recover a large fraction of the original cost.

This technology has a diverse number of applications for specific military needs and has been used with great success in the past. Warehouses and storage areas are the most common applications. However, these buildings have also been used for aircraft hangars, administration buildings, and bunkers. Potential applications include every type of building used by the Armed Forces. One special area for which this technology is well suited is military exercise-related construction. Even in the face of decreasing tensions around the world, our military forces must maintain their readiness and continue to sharpen their capabilities through training exercises. Yet, in this pursuit, the military is facing increasing costs for conducting such exercises. In hearings before the Military Construction Subcommittee last year, the Members expressed concern over the financial burden that this necessity placed on each of the Armed Forces.

In seeking to defray such costs, the ABM System provides an innovative and inexpensive alternative to more conventional construction. Additionally, the System has been tested by the U.S. Army Construction Engineering Research Laboratory, as well as in the field and has performed very well. For example, the 416th Engineer Command, U.S. Army Reserve, headquartered in Chicago, deployed with a K-Span System on Exercise Bright Star in 1987. Using the 878th Engineer Battalion of the Georgia National Guard as the construction unit, they erected two types of buildings during the 13-day exercise. One was a completely closed storage building, and the other was a tactical bunker, built in only six hours.

This summer, the 416th Engineers will again deploy with a K-Span unit to support

construction needs during the exercise. Although the ABM System will be shipped by sea, its trailer-mounted configuration lends itself to rapid deployment by air. This characteristic makes it possible for a unit to move on short notice to any location and build all needed facilities for an extended stay within a matter of days. The construction rate for a crew of 7 to 14 trained military personnel can average 5,000 to 10,000 square feet per day.

The System can also fill numerous requirements in the National Guard. The rapid expansion and mission changes within the National Guard have outpaced available budget allocations to the point that required facilities cannot be completed within the time frame needed by the units. Despite recent increases in funding, the Guard is not keeping pace with the essential requirements that are necessary to support their personnel, training and mission requirements. Each year the National Guard budget request includes projects such as armory unit storage buildings. This program was authorized by the Congress in 1986 and 1987 and has been implemented in 39 of 49 states. Its purpose is to store and safeguard the new equipment that it has received as part of the modernization program and to supplement the existing inadequate supply rooms at the armories. The program has been very successful, but a need still exists to construct about 700 additional buildings. The FY 1991 Army National Guard budget request includes $1.6 million for such buildings.

According to Congressional testimony last year before the Military Construction Subcommittee, most of the contracts for these storage buildings awarded to date have been pre-engineered metal buildings. The cost of these buildings ranged from $15 to $16 per

square foot. In some cases, the Guard has recommended renovations to existing facilities at costs only slightly less. At a cost of between $4 and $6 per square foot, the ABM System could meet the goals in both cases with significant savings for the National Guard.

Finally, the ABM System can be very useful to the National Guard in its role of supporting civil activities. Such support includes both civil disturbances and recovery operations following floods, tornados, hurricanes, and other natural disasters. The two major natural disasters of 1989 demonstrated the need for rapidly constructed shelters for disaster victims, as well as for administrative and storage facilities. By prepositioning these mobile ABM's and steel at locations around the country, and with trained personnel among selected National Guard units, the equipment could be quickly dispatched to the disaster site and construction could begin immediately in support of state and Federal emergency management agencies. After the recovery effort, the structures could be left behind for use by the community, or deseamed and removed to another place, or scrapped.

With all of its capabilities and versatility, the ABM System and its technology provides a valuable resource for military planners and engineers alike as they adjust to changing conditions and restricted funding. It makes them self-sufficient for the construction of necessary facilities. Thank you for the opportunity to present this testimony explaining the three advantages of this Automatic Building Machine technology that cannot be found in any other system: on-site construction of high-quality in the shortest time at the lowest cost.

[CLERK'S NOTE.—The following statement was submitted for the record by the National Guard Association of the United States.]

NATIONAL GUARD ASSOCIATION OF THE UNITED STATES

ONE MASSACHUSETTS AVENUE, NORTHWEST • WASHINGTON, D.C., 20001 • (202) 789-0031

STATEMENT FOR THE RECORD

BY

LIEUTENANT GENERAL LA VERN E. WEBER (RET.)

of the

NATIONAL GUARD ASSOCIATION OF THE UNITED STATES

to the

Defense Subcommittee

of the

House Appropriations Committee

2 May 1990

INTRODUCTION

At no time in our history has the world seemed so small a planet and every nation's destiny so intertwined. The pace of change in the modern world has greatly accelerated and the gravity of events in Eastern Europe, Central America and Southern Africa directly influence the decisions of our nation's leaders, as well as affect the lives of all Americans.

Last year, before the depth of the wave of political change was recognized, military planners were seriously discussing protecting and modernizing conventional forces because strategic arms negotiations were well underway and reductions in the nuclear weapons arsenals of the United States and the Soviet Union seemed clear. This year conventional force downsizing seems not only feasible but inevitable. At the same time, defense planners are trying to carefully balance capabilities and reevaluate strategic force requirements to ensure our nation's protection. Congressional foresight during the last session initiated a thorough examination of the Total Force Policy partnership and is to be commended.

The perceived dramatic shifts in military threat, the called for revisions to defense strategies and the impact of the budget deficit are the back drop for the current review of the FY 1991 Department of Defense Budget. The decreasing threat is an indication of a positive step toward global peace. As we change the face of our military forces -- and we must make changes -- it is essential that we preserve the technology, skills and force structure that brought and sustain our success.

A policy of "peace through strength" and a high level of national resolve brought us to this crossroad. Only a measured, balanced adjustment to national strategies and resources will bring us safely through. The primary concern of the National Guard Association of the United States is that a hunger for a peace dividend, continuing budget deficit pressures and the

euphoria over the seeming democratization of many of our adversaries will erupt into impatience and override cautious development of a direction and strategy for the future.

THE ROLE OF THE NATIONAL GUARD

Our nation has grappled many times with a military force reduction in the face of the uncertain. Historically, protecting the tangible resources in the militia or National Guard has been both the viable and the chosen option. That course of action would again seem to be a prudent one.

When President Thomas Jefferson presented his first State of the Union message to Congress in 1801, this nation was faced with reducing the standing military. He characterized the militia as "the only force which can be ready at every point," and urged the Congress to "continue to amend the defects which from time to time show themselves in the laws for regulating the militia, until they are sufficiently perfect." He urged them not to adjourn "...until we can say we have done everything for the militia." The National Guard Association of the United States does not seek "everything" for the National Guard, but instead asks for an unbiased evaluation within the Department of Defense and the Congress of the future role of the National Guard and for full support and modernization of the resulting force to allow it to fulfill its mission.

In the early history of our country, the militia was the first line of defense and the repository of military experience and skill. Over time, the capability of the militia was eroded as a result of political attitudes and constricted budgets. Not until implementation of the Total Force Policy in the early 1970s did the National Guard resume the traditional role of a front line, real time partner in defense.

The National Guard rôle in the current military strategy remains that of an early mobilization force in the event of a national emergency. However, it also has become a critical portion of the conventional warfighting forces needed in limited contingencies and/or regional conflicts. Elements of the Army and Air National Guard will be required to activate and be functional within 72 hours of the start of a conflict. National Guard forces provide forward defense and early deploying units with missions that include early commitment in combat to sustaining theater combat, combat support and combat service support forces.

STATUS OF THE NATIONAL GUARD

Recent events, such as the performance of National Guard units and personnel in Panama, participation in exercises and competitions, along with readiness ratings confirm the validity of the Total Force Policy and the capability of these forces. The infusion of modern equipment and the modernization of existing equipment in the National Guard during the decade of the 1980s are paying the desired dividends. Personnel strength has been achieved and maintained with consistently high quality personnel. The goals of the National Guard Association of the United States for the 1990s are to continue these modernization efforts and to preserve military skills, experience and quality as the military force and strategy are redesigned.

This Association intends to concentrate its efforts toward the allocation of manpower, equipment, training and facilities resources needed to accomplish wartime missions and support the Department of Defense role in drug interdiction. It will also continue to address improvements in personnel benefits and entitlements, especially in the areas of education, pay equity and survivor benefits.

The members and units of the Army and Air National Guard consistently have increased their participation in overseas deployments for training during the 1980s. The overseas deployment program exercises skills and provides units with experience critical to the mobilization process, experience which many active component personnel do not have. For example, an Army National Guard brigade participating in REFORGER does not just fall in on equipment at the exercise site, but instead must prepare its own equipment for airlift or sealift. As we drawdown our overseas forces, but continue our worldwide commitments, deployment from the continental U.S. will become a reality and necessity.

Even with the tremendous strides of the 1980s, the Army and Air National Guard still perform their missions using 20 and sometimes 30 year old equipment and technology, which is not interoperable with the current generation active component equipment. This gap in technology will, for example, force signal operations to be accomplished at the lowest common denominator, effectively voiding some of the highly effective security features of the newer equipment. National Guard equipment also lacks the essential survivability upgrades that have been applied to the active component equipment systems.

Equipment shortages continue to degrade mission readiness. It is essential that National Guard requirements be included with those of the active services early in the program cycle in order to provide for concurrent procurement of equipment for the Total Force. It is equally important that National Guard requirements be considered as decisions on redistribution of equipment resulting from force drawdowns are made. Such redistribution will have a positive affect on the number of modification programs that have to be

developed or continued to ensure that the older equipment in the National Guard is maintained and upgraded to a combat effective level.

Effective recruiting and retention in the Army and Air National Guard preserve the training investment made in the active force, by attracting prior service personnel, and expand knowledge and understanding of the military, by attracting non-prior service personnel. By continuing to include the National Guard in the full range of contingency plans, we ensure involvement and encourage support of the entire nation. It is through a national resolve that this country has remained strong over its history. While we emphasize volunteerism as a means of solving many of our domestic problems, we cannot afford to overlook the cost effective citizen soldier as part of the answer to the defense budget spiral.

A highly professional cadre of full-time support is required to sustain training quality and readiness levels. Over the past several years, full-time support manpower has not kept pace with expanding mission requirements. However, in recognition of the pending force structure/force mix evaluations, the National Guard will continue its ongoing review of placement of the limited number of full-time support resources in an effort to maximize the return.

Training is a critical element in providing a ready National Guard. Budget restrictions have impacted on operating tempo and training resources. Further reductions of training resources will have an immediate adverse impact on National Guard readiness. Another factor that directly impacts on training is employer support. Programs to encourage support and to assist in resolving problems must continue.

The availability of education incentives continues to drive the quality and attractiveness of the Army and Air National Guard upward. Ongoing

programs aimed specifically at medical professionals and pending legislation to provide job opportunities with the Department of Veterans Affairs should support the trend toward resolving medical skill shortages.

FORCE STRUCTURE/FORCE MIX

The military threat and force structure, as a result of actions taken by this Congress and world events, are under thorough review. There are indications that the various services are approaching the review, the FY 1991 budget and the FY 1992-1994 projection with differing philosophies. Many scenarios are under consideration for the long-term. These potential revisions are based on hypotheses concerning START talks, CFE agreements and political developments in Eastern Europe. We hope they will also be based on the success of the Total Force Policy during the past 20 years, which fully involved the National Guard in all wartime plans.

At this time, Army proposals appear to be structuring a highly mobile force contained solely within the active Army, to include combat service support elements. The objective apparently is to meet all contingencies short of full war or protracted conflict through active structure. The Army proposal will substantially restructure the Army National Guard and Army Reserve. It will relegate them to fill backup missions in the European scenario and to provide forces required to mobilize in excess of 30 days. The Army has proposed a 10,000 end strength cut for FY 1990-1991 and projects a reduction for FY 1991-1994 of 76,000, to include two divisions, from the Army National Guard alone.

The Air Force has not taken that drastic an approach to restructuring. Their current strategy is to "configure the Air National Guard and Air Force Reserve to ensure their effective engagement in global conflict within days to weeks from development of a crisis." At the same time, they are hypothesizing

a drawdown of five tactical wings. Air National Guard forces have consistently been included in previous drawdowns. In FY 1989 and FY 1990, Air Force included force structure cuts to the Air National Guard in their budget request. Only congressional action reversed that action. No reductions in Air National Guard units or strength are projected in the FY 1991 budget request, however, the structure restored by Congress in FY 1990 has not been maintained. In addition, a breakdown of the possible FY 1992-1994 five wing cut has not been announced.

This Association believes that until completion of the comprehensive force structure study and development of a national direction in response to the changing world situation, no actual changes in National Guard force structure or deactivations should be initiated. We still need to support the current requirements and maintain a high level of readiness in the near term.

Based on the strong possibility that it may be desirable to move more units and missions into the National Guard and Reserve, it would appear prudent not to make any reduction in the National Guard and Reserve force at this time. The mechanisms that expand and contract the National Guard and Reserve are not as flexible as the active component, therefore, a premature drawdown would have a greater impact and be more difficult to reverse in the short term. Additionally, the National Guard and Reserve will serve to protect and retain some of the skilled personnel released from reductions in the active component. Losses from the National Guard and Reserve represent losses from the system totally.

MANPOWER REQUIREMENTS

The National Guard Association agrees with the leadership of the Department of Defense that the top priority should be personnel. The current high quality force of skilled professionals is the result of nearly 20 years

under the all volunteer force and the military." Manpower requirements have been carefully identified to fulfill the wartime and peacetime missions of the force.

Growth in the National Guard was significant throughout the 1980s, slowing only in the last years of the decade. However, the growth in full-time support and drill strength authorizations did not match the growth in requirements. As we enter the 1990s, the end strength growth trend has been drastically reduced and, in the case of the Army National Guard, has begun a downward slope. National Guard full-time support strength has been virtually a straight line for the past two years.

Before any reductions are applied to the end strength and full-time support authorizations of the Army and Air National Guard, there should be some consideration given to the existing validated shortages. Further, until the force structure changes being identified by the Department of Defense study and the revised threat are defined and integrated, the current force requirements must receive sufficient resourcing to provide adequate readiness. The existing shortages already represent an operational handicap; reductions on top will decrement readiness. Force stability has an offsetting affect to shortages, and in our view, it is important to protect that stability in the near-term decision making period.

PERSONNEL ENTITLEMENTS AND BENEFITS

Programmed force levels are achieved by ensuring the quality of life for soldiers and airmen. Service in the National Guard, like service in the active component, requires sacrifices by the members and their family. In order to maintain the required levels of readiness and to fulfill their Total Force role, Army and Air National Guard members are increasingly called upon to perform additional duty periods, often without pay or benefits. Many of

the quality of life issues that were identified to this Association by our membership as priorities are low cost or no cost.

One of this Association's stated objectives is to attract and retain a high quality force through equity in personnel entitlement and benefit programs. Entitlement programs have proven to be a significant incentive for membership in the National Guard. Unfortunately, a limited number of personnel policies and provisions in law fail to support the principles of the Total Force Policy and adversely impact recruiting and retention.

Basic Allowance for Quarters

Single members of the National Guard and Reserve without dependents are treated differently from all other categories of personnel with regard to basic allowance for quarters payment. This inequity was a problem in the early 1970s and continues to be a problem today. The costs of housing nation-wide and the increased training requirements have exacerbated the affect of the inequity on the individual.

There is no basis for treating National Guard and Reserve single members without dependents any differently than their active service counter-parts. Extending basic allowance for quarters to this group of service members is a low cost adjustment with potentially high return in retention and cost avoidance resulting from the more stable force. The primary beneficiaries of this change will be the lower grade enlisted personnel and junior officers, who represent the future of the armed forces.

Education Benefit

Some adjustment to the provisions of the three major education assistance programs available to the National Guard and Reserve would positively impact on the quality of life for the member and increase the skill and education levels of the force. One improvement is allowing full-time

support personnel and warrant officers access to the Army Continuing Education System. A recent revision to law has been interpreted to exclude their participation in the program. The entire warrant officer corps, AGR and drill status, is without benefits under this program.

The Montgomery GI Bill, since its inception, has been our most powerful recruiting tool. Continual fine tuning of the benefits have resulted in the types and levels of education covered by the Chapter 30 active component program and the Chapter 106 Guard and Reserve program becoming almost identical. Only one area, graduate studies, remains unavailable to participants in the Chapter 106 program. We appreciate the aggressive support this program has received from the Congress and expect the results to be evident for a generation to come.

The final education issue pertains to the Student Loan Repayment program, which is an element of the Selected Reserve Incentive Program for enlisted personnel. As presently designed, enlisted personnel who are participating in this loan repayment program lose all benefits if they become a commissioned officer or warrant officer. Some of our best and brightest officer candidates and highly motivated enlisted personnel are delaying or deferring commissioning based upon the financial hardship that would result from termination of their loan repayment benefit. If the student loan repayment program were extended to cover junior officers, we would be able to provide upward mobility and increase retention of highly motivated individuals.

Survivor Benefits

Benefits for survivors of members of the National Guard continue to improve. There are, however, three areas where we see serious flaws in the existing laws and regulations. There is a lack of a provision for any annuity

for spouses of members who died between military sponsors of these individuals had fulfilled all requirements for retired pay except reaching age 60, the age when National Guard and Reserve retirement pay starts. These service members had fully expected to take care of their surviving spouses, but the law allowed the presumption that the sponsor would not have elected the coverage. We seek a monthly stipend for these surviving spouses.

There is a confusing delinking of benefits and annuity payments in the case of National Guard and Reserve surviving spouses. Those who receive an immediate annuity upon the death of their sponsor do not receive an identification card or eligibility for medical, exchange and commissary benefits until the anniversary of the sponsor's 60th birthday. In all other instances, military benefits and issuance of identification cards are linked to receipt of pay or an annuity. This policy serves to isolate National Guard and Reserve spouses and leave them vulnerable for health care coverage.

Several changes were made to the Survivor Benefit Plan during the last session of this Congress. We consider these changes to be forward looking and important improvements to the program. We have long advocated an option to allow a 50 or 55 percent annuity for life. We encourage a thorough evaluation of the question of a federal subsidy for such a high option. The current proposal contains no subsidy and would be prohibitive in cost during the lifetime of the sponsor.

EQUIPMENT REQUIREMENTS

Equipment modernization and procurement are essential to our military strategy and readiness. Equipment shortages and outdated technology continue to be critical limiting factors to mission readiness in the National Guard. Major gains have been made during the 1980s, but a total shortfall of $14.1 billion for the National Guard and Reserve still exists.

Of the total shortfall, $7.3 billion is in the Army National Guard and $1.2 billion is in the Air National Guard. That represents a shortage of onhand versus wartime requirements of about 21 percent in the Army National Guard and 5 percent in the Air National Guard.

The Congress has provided strong support for National Guard equipment needs, particularly visible in the creation of a dedicated equipment account. This year, there has been a breakthrough in Total Force budget programming. The Department of Defense budget request specifically identifies dedicated equipment procurement and modification funding for the National Guard and Reserve in the Guard/Reserve equipment account. The modest budget request, while a momentous step, is insufficient to fully address the basic needs of the National Guard and Reserve. It will take all of us working together to find the cost effective solution to equipment shortages that inhibit the success of the Total Force Policy.

The most urgent Army and Air National Guard equipment requirements are addressed in brief in the following paragraphs.

Tactical Wheeled Vehicles

The tactical wheeled vehicle fleet of the Army National Guard is impaired by aging equipment and major shortages which adversely affect operations, training, mobilization and readiness capability. The mainstay of the fleet is the 5-ton truck. In addition, the current gasoline powered configured truck, which comprises much of the current inventory, is no longer supportable with repair parts from the Army supply system. We urge the Congress to support a combination of procurement of modern tactical wheeled vehicles and a service life extension program (SLEP) to modernize the Army National Guard fleet.

Utility Helicopters

The UH-60 Black Hawk helicopter is the Army standard for a utility helicopter. In the last eight years just 51 UH-60 helicopters have been delivered to the Army National Guard. Since the Army's distribution plan does not contemplate UH-60 procurement for the Army National Guard, the 20 year old UH-1H fleet will have to remain in the Guard inventory well into the 21st century. Significant differences in the capability and survivability of the two aircraft exist. To effectively modernize the Army National Guard utility helicopter fleet consistent with assigned mission, we urge the Congress to authorize and fund the procurement of at least 30 UH-60 Black Hawk helicopters with appropriate repair parts and ground support equipment.

Cargo Helicopters

The Army National Guard is responsible for the entire heavy lift capability of the Total Army and is operating with CH-54 helicopters which are on average 30 years old. The National Guard also has a substantial portion of the medium lift capability. The current Army modernization plan has no provisions to upgrade the CH-54 heavy cargo lift helicopter and will leave the Army National Guard medium/heavy-cargo lift fleet short of validated requirements. This Association urges the Congress to provide $104 million beginning in FY 1991 specifically for production of eight new CH-47D helicopters per year until the Army National Guard medium/heavy-cargo helicopter fleet is fully modernized and equipped at required levels.

Attack Helicopters

Production of the AH-64 is scheduled to terminate with the FY 1991 authorization. Currently the Army has no follow-on attack helicopter in development. The gap created in the inventory will ultimately lead to deactivation of five helicopter battalions, three of which are in the Army

National Guard, and to downsizing of units. Under the previous program replacement rate, Vietnam era UH-1M helicopters, which comprise 22 percent of the fleet, would have remained in the Army National Guard through the year 2000. The impact of the new distribution plan will be even more severe. The AH-1 helicopter comprises 64 percent of the Army National Guard helicopter fleet and does not have missile and night firing capability. In the face of decisions to terminate the AH-64, a modernization program for the AH-1S becomes essential for mid to long term operational capability. We urge your reconsideration of the termination of the AH-64 production and support for a continued procurement of 60 per year until all 15 Army National Guard attack helicopter battalions are fully equipped. We also urge you to support modernization of the AH-1 Cobra helicopter to provide missile and night firing capability.

Air Defense Artillery

The Army National Guard has a critical shortfall in air defense artillery equipment. The existing equipment systems are totally inadequate to meet the current threat. Much of the Army National Guard structure has no organic air defense capability, and the air defense battalions for five Army National Guard divisions have the 1950 vintage M42 Duster. There are a number of initiatives ongoing or under consideration to resolve the air defense problems of the Total Army. It is essential that the Army National Guard be fully integrated in any modernization program. We urge your support to ensure the Army National Guard is included in the planning and fielding of air defense artillery programs. In the interim, funding is needed to field the Ground Based Sensor in the Army National Guard concurrently with the Active Army and to accelerate procurement of Avenger PMS and Stinger RMP and to upgrade Vulcan to PIVADS and HAWK to Phase III.

Combat Communications-Electronics Systems

The outdated nature of the tactical communications systems equipment of the Army National Guard creates interoperability problems when interfacing with elements of the Total Force. Interoperability problems are being experienced in drug interdiction operations and training exercises. The Army National Guard tactical communications systems are no longer cost effective to maintain, and logistical support and active Army service schools are not readily available to support the older equipment. Data automation systems to support mobilization and deployment must be brought up to state-of-the-art capability. A comprehensive and integrated modernization program involving Single Channel Ground and Airborne Radio System (SINCGARS), Mobile Subscriber Equipment (MSE), TRI-Service Tactical Communications (TRI-TAC) and Reserve Component Automation System (RCAS) is required to provide the Army National Guard with near state-of-the-art capability.

Multiple Launch Rocket System

Currently, there are no procurement programs to provide the Multiple Launch Rocket System (MLRS) launchers and rockets to equip the nine Army National Guard divisions or to satisfy any additional MLRS needs for Guard corps artillery units. Your support of increased production to accommodate the issue of one complete battalion set of MLRS equipment per year to the Army National Guard until Guard requirements are satisfied is requested. It is also important to provide funds for rocket production sufficient to meet Total Army requirements.

Continued Production of the M1A1 Tank

The current conventional warfare strategies envision a significant role for armor, armored cavalry and cavalry forces. The Army National Guard provides 60 armor battalion equivalents to the tank force which comprises

approximately one-half of the Total Army tanks in units of the Total Army tank fleet. The Army National Guard tank fleet consists of M60A3, M1 and M1A1 tanks, with the majority being the older, less survivable M60A3 models. Not filling Total Army tank fleet requirements with the most survivable and fightable M1A1 tank jeopardizes the way this nation has historically balanced numerical superiority with quality. Until it is clear that a conventional armor, armored cavalry force will have a more limited role in the defense strategy of this nation, we urge you to continue your support for production levels of at least 720 tanks per year until the Total Army tank inventory is modernized to meet its mission requirements.

C-130H Tactical Airlift Aircraft

The C-130H aircraft has proven time and again its capability as the mainstay support for intra-theater, assault and inter-theater airlift missions. The performance of Air National Guard C-130H aircraft in Operation Just Cause demonstrates that capability. With our worldwide commitments and a reevalu-ation of overseas stationing, airlift capability takes on a more critical role in the national defense strategy. In addition, this worldwide mission poses a potentially high threat environment from infrared missiles, radar guided missiles and radar directed guns. The Air Force has begun the development of a program to upgrade a limited number of Air Force C-130 aircraft with a defensive package to counter the threat. The Air National Guard is not included in that modernization until the mid-1990s or later. The Air National Guard provides 36 percent of the Air Force tactical airlift force structure. Because of its vital role, a new C-130J configuration of the aircraft is being developed. It will offer significant improvements while substantially reducing manpower requirements and operation and maintenance costs. We fully support this initiative and anticipate concurrent

introduction into the Air National Guard when it enters the Military Airlift Command inventory in 1994.

Your support of procurement of 12 C-130H aircraft for the Air National Guard is requested. Further, your support of a rapid development and installation of defensive survivability systems in the Air National Guard is important.

F-15A/B Multi-Staged Improvement Program

An F-15 multi-staged improvement program upgrade has been developed to improve the combat capability, reliability, maintainability and supportability of the F-15A/B/C/D fleet in the Total Air Force. The Air National Guard F-15A/B aircraft are not scheduled for upgrade until the late 1990s. Since the Air National Guard is scheduled to perform the same wartime missions, at the same time and in the same place as the active Air Force units, it is imperative that we have commonality of weapons systems and tactical air support capability as soon as practical. Your support to provide funds for Air National Guard F-15A/B multi-staged improvement program upgrade for 26 aircraft per year until all aircraft have been modified is requested.

Modernization of F-16 Aircraft

The Air National Guard represents nearly one-fourth of the nation's tactical fighter force and will ultimately possess 76 percent of the F-16A/B inventory. The F-16A/B models represent 15 year old technology and have major differences from the newer Air Force F-16C/D models and these differences increase as the Air Force modernizes its fleet. Since the electronic combat hardware currently installed on the earlier models is limited against the current threat and fails to cover anticipated future threats, a phased improvement program has been developed to not only enhance survivability across a range of electronic threats, more safely. Your support of these

capability improvements for all Air National Guard F-16A/B model aircraft is important in maintaining a compatible Total Force tactical fighter capability.

Communications Equipment

The combat effectiveness of the Air Force tactical mission forces is highly contingent on the capability of the Air National Guard which possesses 66 percent of the total combat communications force. The older equipment, in some cases 1960s vintage, is becoming difficult to maintain due to increasing component failure and shortages of repair parts. More importantly, the current equipment is incompatible with the active component state-of-the-art equipment forcing communicators to turn off the new secure and state-of-the-art communications features in order to communicate. We urge you to support modernization of the Air National Guard communications-electronics equipment so that we are no longer wasting technology and compromising our communications.

Modification of F-15/F-16 Aircraft F100-PW-100/200 Engines

An engine retrofit modification, F100-PW-220E, has been developed which will upgrade the 15-year old technology of the current F100-PW-100/200 to the equivalent capability of current production models. The upgrade package will significantly increase reliability, reduce required maintenance and improve performance. The Air Force is in the process of upgrading all of its F-15/F-16 fleet. An Air National Guard upgrade schedule that is compatible with the Air Force upgrade requires funding to begin in FY 1991. We urge Congress to begin an engine upgrade program for F-15/F-16 aircraft in the Air National Guard by providing funding in FY 1991.

Modernization of Air Rescue Units

In 1988 Congress authorized and assets of the two existing Air National Guard rescue units and provided for organization of a third unit. The MH-60G

helicopters are capable of performing longer range search and rescue missions than their predecessors, the CH/HH-3. This improved capability requires an expanded capability in the HC-130 tanker support aircraft. The HC-130N tanker can provide the needed capability and has the latest state-of-the-art equipment and systems. A total of eight aircraft will completely modernize the air rescue units. We request your support for the procurement of four HC-130N aircraft in FY 1991.

Improved Fighter Reconnaissance Capability

Manned penetrating reconnaissance will continue to be an operational requirement in the future. At the present time, the Air National Guard is responsible for 50 percent of the tactical reconnaissance mission of the Air Force and is performing the mission using the RF-4C aircraft which has significant maintenance and operational limitations. We encourage Congress to continue the suppport of the development of the follow-on Tactical Reconnaissance System and also to provide funding for the research, development, test and evaluation of the RF-16 as the follow-on tactical reconnaissance aircraft.

Funding of the C-17

Major shortfalls continue to exist in airlift capability, especially in the delivery of outsized equipment to meet rapid deployment inter-theater requirements. The C-17 is a multi-purpose airlift aircraft designed to meet future demands for a modern and responsive airlift force. The modernization of the Air National Guard strategic airlift force is dependent upon C-17 production and delivery as planned. We encourage Congress to authorize and fully fund the continued development and procurement of the C-17 requested in the FY 1991 budget.

F-16 Tactical Fighter Procurement

The Air National Guard contributes one-fourth of the total tactical fighter force and more than 50 percent of its tactical fighter fleet is over 20 years of age. Much of the fleet is the older, less capable F-4, which has significant operational limitations. New F-16 aircraft are essential to continue modernization efforts. We encourage Congress to authorize and fund the procurement of at least 150 F-16s as requested in the FY 1991 budget.

F-15E Tactical Fighter Procurement

Termination of F-15E aircraft production after FY 1991 would end delivery of this proven aircraft after only 200 were built. This is well short of the original goal of 392 aircraft. The Air National Guard has a vitual role in the overall tactical air forces which may increase as a result of reduced budgets. The F-15E offers the ideal capability for a r superiority and deep interdiction. We urge the Congress to reverse the termination decision and to authorize the continued procurement of at least 36 F-15Es per year for continued modernization of the Total Force tactical fighter forces.

Miscellaneous Equipment

Since FY 1982, Congress has been providing funding for National Guard mission essential equipment to be selected by the Chief, National Guard Bureau, based on his most pressing shortages. Perpetual shortages in relatively low cost combat support and combat service support equipment has detracted from the gains made in equipment modernization as a whole. It is these day-to-day shortages of medical equipment, water purification systems, communications equipment, battle damage repair tool kits, etc., that miscellaneous equipment funding effectively resolves. We strongly urge the Congress to continue to improve equipment readiness levels by providing

miscellaneous equipment funding for the Army and Air National Guard each year within the Guard and Reserve equipment account.

Operational and Logistical Support Aircraft

Fixed-wing support aircraft are needed in the Army and Air National Guard to provide the capability to meet mobilization requirements of the state area commands, to transport personnel for command, control and supervision of subordinate elements, and to support movement of personnel, equipment and supplies to and from training areas, ranges and detached alert sites. Sixty percent of the mission support aircraft in the Army National Guard fleet are over 30 years old and are rapidly becoming logistically unsupportable. Additional aircraft are also needed in the Air National Guard to meet growing support requirements. We encourage Congress to support a procurement program that provides six modern C-26 aircraft per year to both the Army and Air National Guard until the mission and operational support requirements are met. In addition, procurement of a C-23 type aircraft for the Army National Guard is needed to provide logistical support capability.

MILITARY CONSTRUCTION

The recent military construction budgets for the Army and Air National Guard have been sufficient to cover projects relating to new mission and force structure changes. The generosity of Congress to the National Guard construction programs has been greatly appreciated. However, even with the added help the National Guard has not been able to keep pace with modernization, replacement or growing environmental requirements. As a result, the construction backlogs continue to grow. Inadequate facilities have an adverse impact on recruiting and retention, quality of training, mission accomplishment and combat readiness. The unfunded construction projects are fundamental

structures such as armories, maintenance shops, storage facilities for newly assigned equipment, fire suppression systems at air bases, and training facilities.

We know that Congress recognizes the existing National Guard military construction backlog and the lower level of construction funding in the FY 1991 budget request. We urge you to accelerate National Guard construction programs to a level that will provide funding for all new mission requirements plus a minimum of $150 million to apply against the current mission requirements of both the Army and Air National Guard in order to enhance readiness and begin to reduce their existing backlogs.

SUMMARY

We are grateful for the opportunity to present the views of the National Guard Association of the United States on the current status of the National Guard and some of the actions needed to improve combat readiness. We are mindful that the rapidly changing world is presenting dilemmas in executing and planning a national defense strategy and supporting budget.

We sincerely appreciate the strong support of Congress in providing manpower, equipment, training resources and facilities in the past. That support, along with the support given by the services and the Department of Defense under the Total Force Policy, has allowed the Army and Air National Guard to greatly increase their combat readiness during the 1980s and enter the 1990s confident of their ability.

In the face of major force structure decisions, we are concerned that inter-service competition will provide the basis for an effort to dismantle the Total Force Policy and relegate the National Guard and Reserve to their pre-1969 role. As we enter a new era of budget constraints and force structure realignment, we believe this nation should be building on its

successes and strengths addressing the needs of all Active, National Guard and Reserve components to develop the most effective defense force to meet the realistic threat for the lowest possible cost.

Thomas Jefferson in his last State of the Union address in 1808 said, "For a people who are free, and who mean to remain so, a well-organized and armed militia is their best security." Certainly, state-of-the-art weaponry and global commitments shed a different light on this statement. However, we believe the strength of this nation is in the will of its people and their resolve. The National Guard and Reserve provide a unique tie between the people and their desire for freedom. The presence of National Guard and Reserve personnel and units in worldwide exercises has strengthened our posture and added credibility to the "peace through strength" philosophy. It is important that these forces be realigned according to their capability and contribution today, not judged by perceptions of the past.

It is imperative that we have an increased commitment to meet balanced Total Force requirements. Shared responsibility demands that the Army and Air National Guard be reflective of the active services. With the current and expected interactive and augmenting missions, we must mirror one another in force structure and equipment. The Total Force Policy strove to being that alignment. It is both logical and cost effective. Shared responsibility also demands equitable sharing of resourcing to meet present and future mission requirements. Tightening budgets make living up to these standards contentious.

The National Guard Association of the United States recognizes the role of the National Guard in the Total Force, acknowledges that the world situation mandates changes, and accepts the responsibility to communicate the needs and capabilities of the National Guard. We intend to express our

concern in every forum available when resources are insufficient for the National Guard to attain and maintain the readiness required, or when force structure realignments fail to fully consider the resources, capabilities and potential cost savings available through National Guard force structure. The Total Force Policy has brought us success, we shall strive to ensure the basic tenets of that Policy are preserved.

[CLERK'S NOTE.—The following statement was submitted for the record by the National Association of State Universities and Land-Grant Colleges.]

National Association
of State Universities
and Land-Grant Colleges

Robert L. Clodius, President

April 24, 1990

The Honorable John P. Murtha
Chairman
Subcommittee on Defense
Committee on Appropriations
H-144 Capitol Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The Marine Division of the National Association of State Universities and Land-Grant Colleges (NASULGC) has developed the enclosed position paper in support of continued funding for academic oceanographic research through the Office of Naval Research. The Division respectfully requests that this material be included in the record as part of the public witness hearings before the Appropriations Subcommittee on Defense.

NASULGC represents 149 institutions of higher education which collectively enroll more than 2.6 million students; annually invest more than $33 billion in teaching, research, and public service programs; award over one-half million degrees yearly, including 60% of all U.S. doctorates; and claim more than 17 million alumni worldwide. The Marine Division of NASULGC represents over 90% of the academic marine community.

The NASULGC member institutions wish to thank you for your continued interest in and support for the protection of our nation's atmospheric, marine, and coastal resources and the role that university research does provide in understanding, managing, and protecting these valuable resources.

With best wishes.

Sincerely,

Robert L. Clodius

Robert L. Clodius

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National Association
of State Universities
and Land-Grant Colleges

Robert L. Clodus, President

National Association of State Universities and Land-Grant Colleges
Marine Division

White Paper

Office of Naval Research

The Marine Division of NASULGC notes the important role that the Office of Naval Research has played in funding oceanographic research at universities since the 1940's. The Office of Naval Research funds basic, unclassified (6.1) research; supports graduate students; and sponsors post-doctoral programs. The criteria that ONR uses to fund its researchers are no different from the criteria used to assess success in the University environment: innovative science, published in the reviewed literature, and development of students and post-docs. In ocean sciences, 75% of the 6.1 funds go to researchers at universities, with the remaining 25% going to Navy laboratories and industry.

Thus we are alarmed that the ONR budget for basic research has not increased over the last decade, and has, in fact, decreased due to inflation. It is imperative for the Department of Defense to recognize the importance of basic research in the long-term security interests of this country, and to increase its tangible recognition of the contributions that University researchers have made and are contintuing to make.

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32-241 O—89——27

[CLERK'S NOTE.—The following statement was submitted for the record by Georgetown University.]

TESTIMONY BEFORE THE DEPARTMENT OF DEFENSE
SUBCOMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
May, 1990

Mr. Chairman and Members of the Subcommittee:

I am T. Byron Collins, S.J., Special Assistant to the President of Georgetown University. The University appreciates the opportunity to file this brief testimony.

First, we wish to thank the Committee for their help in the difficulty we were experiencing with a young Marine Corps dependent who had been transferred to our University Hospital. CHAMPUS had refused to pay the charges this young patient had accumulated in her several years in our Pediatric Intensive Care ward. I am delighted to report that this young girl has been transferred to a far more suitable site where her chronic needs can be better met. Her health status has greatly improved. And, thanks to the committee, Georgetown has been reimbursed the hospital costs.

Second, we wish to thank the Committee for their support of the Armed Forces Health Professions Scholarship Program. In this tri-service program, young men and women receive a scholarship for attending medical school and fulfill service obligations upon completion of their training. The program fills a double need: It provides a wonderful opportunity for young people to finance their medical education; it also provides a major source of physicians to the Armed Services. The programs are competititive, and we are very proud of the Georgetown students who participate. We appreciate the Congress' continuing support of the program.

Thank you very much for the opportunity to file this testimony.

[CLERK'S NOTE.—The following statement was submitted for the record by Monmouth College.]

LAW OFFICES
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RAYMOND D. COTTON

May 16, 1990

VIA MESSENGER

Mr. Donald Richbourg
Staff Assistant
House Appropriations Subcommittee
on Defense
The Capitol Building
Room H-144
Washington, D.C. 20515

RE: Monmouth College/Fiscal Year 1991 Appropriations Testimony

Dear Mr. Richbourg:

Pursuant to your April 4, 1990 correspondence to me regarding Defense Appropriations testimony, on behalf of Monmouth College, I am pleased to submit for the record two copies of the College's Fiscal Year 1991 Appropriations testimony.

Thank you very much for your assistance in this matter. Please do not hesitate to contact me if you have any questions or comments about the enclosed.

Sincerely,

Raymond D. Cotton

Enclosure

cc: Dr. Samuel H. Magill
President, Monmouth College

RDC/vsb

MONMOUTH COLLEGE OFFICE OF THE PRESIDENT

Testimony of Samuel H. Magill

President, Monmouth College, West Long Branch, New Jersey

before the

Subcommittee on Defense

Committee on Appropriations

United States House of Representatives

Submitted for the Record: May 16, 1990

WEST LONG BRANCH, NEW JERSEY 07764 (201) 571-3402

Mr. Chairman and Members of the Committee:

My name is Samuel H. Magill and I am President of Monmouth College in West Long Branch, New Jersey. Thank you for the opportunity to submit this testimony for the record, which will focus on the Monmouth College School of Information Sciences and Technology, a vital resource for our nation's high technology defense.

Monmouth College strongly supports Department of Defense Secretary Richard B. Cheney's Fiscal Year 1991 professional judgment recommendation for the Department of Defense of $295.1 billion and the Secretary of the Army Michael P.W. Stone's Fiscal Year 1991 professional judgment recommendation for the Army of $75.8 billion.

By way of background, since it's founding in 1933 as a two-year institution, Monmouth has grown to become a highly respected college with a broad range of undergraduate and graduate programs. Today, Monmouth is a center for higher learning, research, and community service for New Jersey and the Middle Atlantic States. Approximately 3,200 undergraduate and 1,100 graduate students enroll in 1,200 course offerings in the liberal arts and professional curricula. Some 15,000 Monmouth alumni are making important contributions in their communities, companies, and professions.

Throughout the decade of the 1980's Monmouth has made great use of its freedom to innovate by developing new programs and revising the basic curriculum of the College. In many ways,

Monmouth has grown to be a small university with all the advantages of a college. It is a university in the variety, diversity, and richness of its academic programs. Unlike many larger, more impersonal institutions, however, Monmouth retains the advantages of a college in terms of the attention given to the individual needs of students. Our dedicated, involved faculty make teaching excellence their first priority. The ratio of 15 students to one professor ensures small classes with personal interaction. At Monmouth, the student remains the centerpiece.

High Technology and the Mission of Monmouth College

In 1983 Monmouth developed and published its first strategic plan, "Strategies for the Eighties -- Goals for the Year 2000." This document, with subsequent revisions, proceeds from a realistic set of assumptions about the demographic trends affecting higher education, a careful examination of the strengths and weaknesses of the College, an acknowledgment of the geographical imperative facing Monmouth, and a collective vision about what kind of institution Monmouth College will become. It outlines the goals and objectives of the College and the steps to be taken to achieve them.

Two important themes run throughout the Strategic Plan. The first is the commitment of the College to serving the surrounding region. As the only senior institution of higher education in the central shore area, Monmouth has always had a special responsibility. Even as the College progresses toward its

goal of becoming an institution recognized throughout the Middle Atlantic Region for its academic quality, its first responsibility is to the county and state in which it resides.

A second theme is the importance of high technology to the fulfillment of the mission of the College. The Strategic Plan recognizes that high technology will be one of the most important areas for study in the coming decades. The Plan outlines ways in which the College will enhance its programs in the information sciences and will use computer-aided methods to improve teaching and administration of the College.

These two themes are inextricably entwined. As the information sciences become more important to the area, providing education in these fields becomes a larger part of the College's service to the region. Similarly, as the region becomes more important to the development of the information sciences throughout the state and nation, the work of the College in these fields becomes more important to our quest for educational excellence.

The Importance of High Technology in the Monmouth Region

The Monmouth/Ocean region of New Jersey is particularly important to the future of high technology in the state of New Jersey and the nation. A study by the Monmouth County Planning Board revealed 211 high technology companies in the County. Monmouth ranks 17th, out of the 3,100 counties in the nation, in the number of computer programming and data processing firms. This concentration reflects, in part, the influence of the U.S. Army Communications and Electronics Command (CECOM) at Fort

Monmouth, which has become a focal point for high technology research and development and industry.

The importance of the region in these fields is expected to grow. A study by a national real estate brokerage firm lists the Monmouth/Ocean area as one of the top 25 areas nationwide for growth in the information sciences and technology.

The large and growing role of high technology in this area, reinforces the crucial relationship between the College's programs in the information sciences and its service to the region.

The Information Sciences at Monmouth College

Monmouth College is the only institution of higher education in this region offering both baccalaureate and masters degrees, and the only one with extensive programs in the information sciences. As such, it is the only center in the geographical area for instruction, research and college/industry collaboration in these fields.

Monmouth College prepared for its large and growing role in March of 1989 when it reorganized the academic programs in the high technology fields to create the School of Information Sciences and Technology. The School is comprised of the Departments of Computer Science, Electronic Engineering, and Mathematics, and the graduate program in Software Engineering, one of only a dozen such programs in the country.

The School of Information Sciences and Technology has a full-time faculty of 28. Some 300 students are majoring

in departments of the School. In 1985 the departments now included in the School provided 4,290 enrollment credit hours of instruction. This year that number has grown to over 4,500. By 1995 we estimate that this number will climb to 4,875.

The research efforts of the School also are growing. In the Computer Science department professors are actively pursuing a sublanguage approach to Japanese-English machine translation (under a National Science Foundation grant), identification and cataloging of software development tools, computer simulation and modeling, and computer graphic design. Professors within the department of Electronic Engineering are conducting research on computer imaging and data compression (under a grant from AT&T) and neural networks. In the Master of Science in Software Engineering program the professors are engaged in research on formal software specifications, C++ and object oriented programming, simulation and modeling of computer systems, and integrated software environments.

Monmouth College and Defense Electronics

An important part of the high technology work of the College, both in terms of instruction and research, is its work in defense electronics.

There are at least four major ways in which Monmouth College and the U.S. Army Communications and Electronics Command (CECOM) at Fort Monmouth interact. First, Monmouth provides graduate education in software engineering to military personnel from the Fort. Through a special, one-year U.S. Army internship

training program in Software Engineering the critical need for military expertise in this area is met. (Indeed, Monmouth's Software Engineering program was developed, in part, as a response to this need.) Classes and laboratory work for this program take place on the Monmouth College campus.

Second, the College provides on-base courses at Fort Monmouth in a wide variety of graduate and undergraduate programs. This service provides military personnel at the Fort with unparalleled opportunities to acquire additional education.

Third, Monmouth College has a contract to work with the Fort is developing a prototype for machine translation of natural language algorithms. The project director is Professor Michiko Kosaka of our Computer Science Department, already recognized by the National Science Foundation as a leading researcher in the field of machine translation.

Of greatest importance, Monmouth College is involved in the Battlefield Information System (BIS-2015) project, developing an integrated military communications system for the future. Currently the Army uses separate communications networks for Command and Control (C2), Communication (COMM), and Intelligence and Electronic Warfare (IEW). The demands on all of these systems, and therefore the need for systems interface, are increasing dramatically. The result is the BIS-2015 project, now in the preliminary stage, which will determine the shape of military communications for the twenty-first century. The BIS-2015 project will lay the groundwork for the "system-

of-systems" needed to meet the need for information collection, management, and distribution as well as denial of information to the enemy. It will make full use of emerging technologies to counter military threats as they will exist.

The expanding College role in high technology defense requires continued investment in the relevant programs of the College.

Investment in the Future

The School of Information Sciences and Technology is preparing to meet the demand for its programs and assure New Jersey's continued success in the information age. The School is engaged in a comprehensive effort to enhance the information science programs. The important elements of this program are:

* Improving undergraduate education through curriculum redesign and enhancement, and faculty development;
* Continuing development of graduate programs, including the Software Engineering program;
* Providing the facilities and incentives to stimulate individual faculty research; and
* Encouraging joint College/industry research and consulting.

Keeping abreast of the state of the art is critical in any science but particularly so in the information sciences. To assure that its programs continue to provide students with the best possible education, the School of Information Sciences and Technology continuously upgrades its course offerings. For example, the School currently is developing new courses in

Optical Fiber Communications, Robotics, Computer Communications Security, and Computer Aided Design.

Undergraduate courses in all our programs are continuously being upgraded. New topics and research elements will be introduced in many undergraduate courses in the next two years including: Engineering Electronics, Microprocessor System Design, and Computer Operating Systems. In the same time frame, the graduate offerings also will be enhanced, including those in Neural Networks, Computer Networks, Microcomputer Design, Computer Modeling, Compiler Design, and Software Process Quality.

The School is developing the human and physical resources to support these enhancements. New faculty have been hired. Faculty development opportunities have been increased. A program to bring visiting research professors onto campus has been successfully implemented this year.

Planning is underway for a $3,442,000 renovation of a general purpose academic building to establish a facility for the School. This facility will be the home for instruction and research in the information sciences, the associated computer and support operations, and a center for College/industry collaboration and consulting. The state of New Jersey has already committed $1.2 million from the Jobs, Science and Technology Bond Issue to this project. Companies working in high technology fields have provided over $1,000,000 in scientific equipment for the facility.

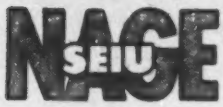
Conclusion

The strides which we are now taking to realize these plans will assure that the School of Information Sciences and Technology remains a vital resource for our nation's high technology defense systems. The College looks forward to a growing productive relationship with CECOM at Fort Monmouth and the Department of Defense.

Mr. Chairman, thank you again for giving Monmouth College the opportunity to share its views with the Committee. I would be pleased to answer any questions you may have.

32-241 O—89——28

[CLERK'S NOTE.—The following statement was submitted for the record by the National Association of Government Employees.]



NATIONAL ASSOCIATION OF GOVERNMENT EMPLOYEES

AFFILIATED WITH SERVICE EMPLOYEES INTERNATIONAL UNION, AFL/CIO

1313 "L" STREET, N.W., WASHINGTON, D.C. 20005
202/371-6644

May 11, 1990

Donald E. Richbourg, Staff
Defense Subcommittee
House Appropriations Committee
H-144 Capitol
Washington, D.C. 20510

Dear Mr. Richbourg:

Attached please find our statement for the record for the Subcommittee hearing held on May 2, 1990.

Thank you for your attention.

Sincerely,

Edward Murphy
Legislative Counsel

NAGE SEIU

NATIONAL ASSOCIATION OF GOVERNMENT EMPLOYEES

AFFILIATED WITH SERVICE EMPLOYEES INTERNATIONAL UNION, AFL/CIO

1313 "L" STREET, N.W., WASHINGTON, D.C. 20005
202/371-6644

STATEMENT OF THE

NATIONAL ASSOCIATION OF

GOVERNMENT EMPLOYEES

TO THE

SUBCOMMITTEE ON DEFENSE

OF THE

HOUSE APPROPRIATIONS COMMITTEE

REGARDING

CIVILIAN TECHNICIANS OF THE NATIONAL GUARD

FY 91 FUNDING ISSUES

May 2, 1990

The National Association of Government Employees is an affiliate of the Service Employees International Union, the fifth largest union in the AFL-CIO. NAGE represents tens of thousands of federal employees nationwide.

Our union represents thousands of civilian technicians of the National Guard. On behalf of our members, I want to express my gratitude to this committee for their support of this crucial workforce.

One issue of concern to this workforce is the technician/AGR manpower mix. This issue is particularly relevant this year as the Congress focuses intently on the DOD budget for efficiencies and savings. The changes in the world brought about by the collapse of communism create special and difficult problems for this committee in funding the DOD for FY 91 and beyond. It is clear that the Congress will reduce the size of the DOD budget in a very significant way. This committee is one of those charged with the daunting task of making these cuts in a coherent and orderly manner which preserves our defense readiness.

One way the committee can save substantial amounts of money is through greater reliance on the technician workforce. The Congress should phase out the AGR workforce and proportionately increase the technician workforce. As you are aware, Public Law 93-363 directs DOD to use the least costly form of manpower consistent with military requirements. The DOD has consistently sought to evade this law by increasing the AGR workforce at the expense of the technician workforce. The evidence is clear that civilian technicians are a significantly less costly form of manpower than AGR personnel. This finding has been documented by three reports, the MCR study of 1980, the S&I Committee study of 1983, and the GAO Report of 1985.

The study by the General Accounting Office comparing civilian disposable income with that received by military personnel clearly demonstrates the more generous income

received by AGR personnel. Despite often doing the same job as technicians, AGR earn more money than technicians regardless of skill or experience. As was shown by a 1983 House Appropriation's Committee Survey and Investigation Report the additional cost of using AGR in the Army alone amounts to $42 million annually. This same 1983 House Appropriations Committee Survey and Investigation Report showed that a large percentage of the AGR positions are overgraded. In fact it is not uncommon to have a technician supervising an AGR who makes more money than the technician.

The AGR personnel also received more generous tax free benefits than technicians. AGR personnel are entitled to a full military retirement following 20 years of service at any age. By comparison technicians cannot retire until age 55 and only after 30 years of service. AGR personnel are also entitled to free medical care for themselves and their families, while technicians must contribute to their own insurance under the federal employees insurance system. AGR

personnel are also entitled to selective reenlistment bonuses, in addition to educational, commissary, and housing allowances, none of which are available to technicians.

The technician workforce has also been one of DOD's most productive. The civilian technician program of the National Guard has been an unqualified success. Civilian technicians have earned praise from all quarters as skilled, productive workers who provide DOD with loyal, experienced personnel who are a key mobilization asset. The unique dual status of civilian technicians (i.e., civilian DOD employees who are also trained members of the Reserve or Guard), provides a model of the cooperation between the civilian and military sectors that is essential in time of war. Our civilian technicians provide an important military-civilian link during peace time. From their local base, civilian technicians provide full-time support for our Reserve and Guard forces. Consequently, they tie the two worlds together generating local interest in and awareness of

defense readiness needs. In competitions, both local Army and Air Force technician units consistently perform superbly. In recent combat actions, technicians have also performed admirabaly.

Despite the overwhelming evidence of the capability and cost effectiveness of the civilian technician workforce, the National Guard Bureau continuously sought to rely on AGR to the detriment of the civilian technicians. A study released by the GAO in February of 1990 documented this tendency showing that AGR accounted for the vast majority of growth in the full time support program.

We would urge the committee to phase out the AGR program when it marks up the 1991 Appropriations Bill, and mandate that technicians perform the work in substitution of this costly workforce. In these days where many difficult cuts in DOD must be made, using the technicians workforce in lieu of the costly AGR workforce presents a relatively painless method of saving money and increasing productivity.

Another area of mismanagement of the technician program has been DOD's persistent insistance that civilian technicians wear their military uniforms even while performing their civilian duties. The concept of citizen - soldier has a long and honorable tradition in this country. Allowing for standardized civilian dress perserves the unique status of the civilian technicians who are joined to both the civilian and military worlds.

They are very practical reasons for allowing technicians to wear standardized civilian attire. Most of our technician members are involved in the repair and maintenance of DOD hardware. These are jobs where the techinicans clothing will of necessity become soiled with oil, grease and grime. It demonstrates little respect for the uniform if it is to be worn under these circumstances. In fact, substantial numbers of active duty personnel in similar "dirty" occupations are allowed to wear blue coveralls while performing maintenance functions. Finally, the military uniform requirement imposes extra cost to the American taxpayer. We urge the Chair to adopt appropriate language to prevent this waste of federal funds.

This concludes our written testimony. We look foward to working with the Committee to address these issues in the FY 91 Appropriations Bill.

[CLERK'S NOTE.—The following statement was submitted for the record by the National Kidney and Urologic Diseases Advisory Board.]

DEPARTMENT OF HEALTH & HUMAN SERVICES

National Kidney and Urologic Diseases Advisory Board

1801 Rockville Pike, Suite 500
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April 16, 1990

TO: The Honorable John P. Murtha
Chairman, Subcommittee on Defense
Committee on Appropriations
House of Representatives
Washington, D.C. 20515-6024

FROM: Stuart A. Kleit, M.D.
Chairman
National Kidney and Urologic Diseases Advisory Board

SUBJECT: Congressional Testimony

Thank you for the opportunity to present testimony before the Subcommittee on Defense. Unfortunately, I will be unable to appear as a witness. Attached for you and members of the Subcommittee are two copies of the National Kidney and Urologic Diseases Advisory Board testimony to be included in the record.

Attachment

STATEMENT OF STUART A. KLEIT, D.D.S., M.D.

Chairman, National Kidney and Urologic Diseases Advisory Board

To the House Subcommittee on Defense Appropriations

Kidney and Urologic Diseases-Related

Activities of the Department of Defense

May 2, 1990

STATEMENT OF STUART A. KLEIT, D.D.S., M.D.

Chairman, National Kidney and Urologic Diseases Advisory Board

To the House Subcommittee on Defense

Kidney and Urologic Diseases-Related
Activities of the Department of Defense
May 2, 1990

I am Stuart A. Kleit, D.D.S., M.D., associate dean for clinical affairs at the Indiana University School of Medicine and chairman of the National Kidney and Urologic Diseases Advisory Board.

The Board, as directed by Congress and the Secretary of Health and Human Services, has been working for the past 30 months to develop the first national long-range plan to combat kidney and urologic diseases. In these efforts, it was aided by more than 1,000 medical professionals, patients, and members of the public, all of whom took part as consultants, witnesses, or reviewers of our work. Now completed, the plan, entitled Window on the 21st Century, provides specific recommendations for the use and organization of national resources to address the problems revealed by our efforts. I am pleased to share highlights from the plan as well as our recommendation for the Department of Defense with you. The entire document and executive summary have been provided to your subcommittee.

The plan's recommendations for the next decade are based on the Board's study of the magnitude of kidney and urologic diseases and their causes and consequences. To obtain the information necessary to produce the plan, the Board held public hearings in spring 1988 in Los Angeles, Dallas, Atlanta,

Boston, New York, and Chicago as well as a public briefing meeting in Chicago in March 1989. Research background papers were submitted to the Board by expert scientists to assist us in formulating strategies to shape future progress toward the conquest of these diseases. In addition, numerous individuals from diverse institutions across the country offered their invaluable expertise to assist with the development of the plan.

THE BURDEN OF KIDNEY AND UROLOGIC DISEASES

Although the Board initially had a general appreciation of the burden of kidney and urologic diseases on society, the public testimony presented and the other information gathered brought into sharp focus the profound hardships these diseases impose. The extent of pain, suffering, loss of time from work, disruption of the family unit, and death resulting from kidney and urologic diseases was far greater than the Board members previously had envisioned.

The data we obtained on the incidence, prevalence, and cost of kidney and urologic diseases revealed that there are hundreds of kidney and urologic diseases that affect approximately 13 million Americans of all ages--from the newborn to the elderly. The financial burden of kidney and urologic diseases is staggering--an estimated $50 billion, or more than 8 percent of the total spent on all diseases. These expenses are borne by patients, their families, and Federal and state governments. In addition, loss of productivity is an important but often overlooked cost of kidney and urologic diseases. Time is lost from work for physician visits, hospitalizations, and treatments and

because of disability; future earnings are lost when productive members of society die prematurely from these diseases.

Unfortunately, as the population of the United States expands--particularly the 65-and-older segment and minority groups--the cost of kidney and urologic diseases is projected to increase dramatically.

THE DEPARTMENT OF DEFENSE

The National Kidney and Urologic Diseases Advisory Board's interest in the Department of Defense stems from the Department's role in providing active duty and retired military personnel with kidney and urologic diseases health care. For example, the majority of males serving in the military are 18-35 years of age, an age group that also suffers the highest rates of testicular cancer. Service-related traumas to the genitourinary tract also occur among military personnel.

The Department of Defense also plays a critical role in providing health care to retired military personnel. The elderly population, ages 65 and older, suffer a disproportionate share of kidney and urologic diseases. For example, urinary incontinence affects 13 percent of those individuals over 75 years of age; prostate cancer affects 30 percent of American men and is the most commonly diagnosed cancer in U.S. males over 65; benign prostatic hyperplasia - the enlargement of the prostate gland as men age -- can eventually destroy normal bladder function, resulting in severe infections of

the urinary tract and ultimately, permanent kidney failure.

Although some urology research is conducted in Department of Defense hospitals, there is little nephrology research. The Armed Forces Institute of Pathology conducts some research into urologic tumors and kidney disease, and some nephrology research is conducted at the Walter Reed Hospital and the Walter Reed Army Institute of Research.

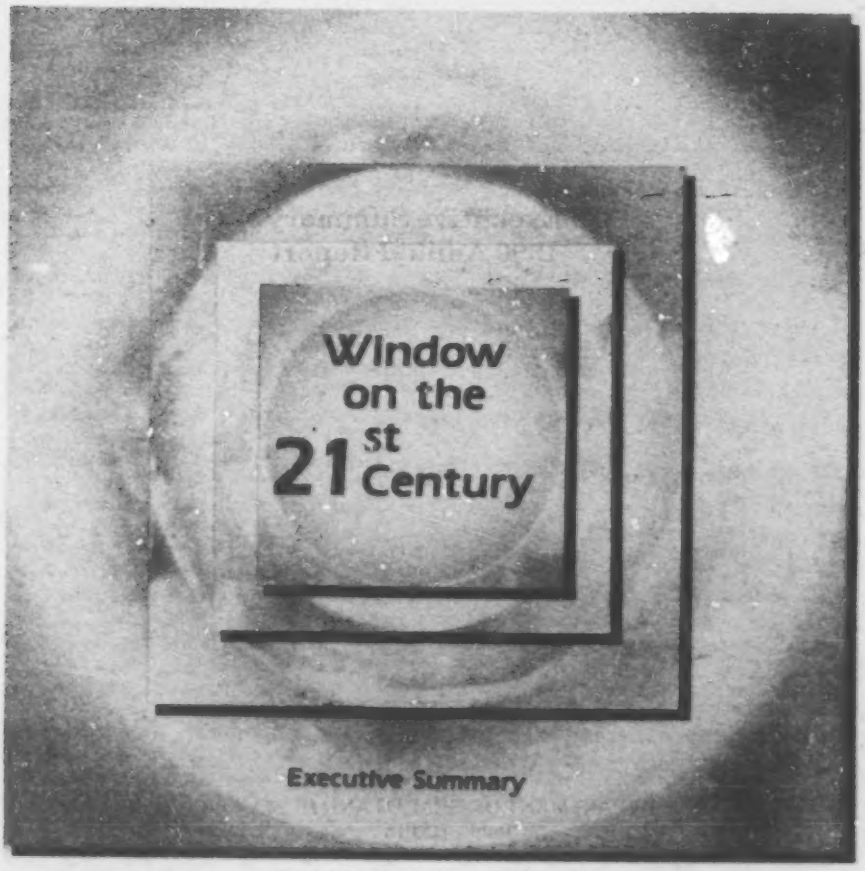
Based on the medical conditions encountered in the military service and the opportunity their treatment provides for kidney and urologic diseases research, the Board recommends that:

> Congress appropriate an additional $4 million per year to the Department of Defense to expand research support in the areas of trauma and infections of the kidneys and genitourinary organs, acute renal failure, and certain genitourinary neoplasms that are encountered in military medical services.

Utilizing the resources of the military, other governmental agencies, and the private sector, DOD should also develop interservice and intraservice cooperative projects in research into kidney and urologic diseases. The Department should also collaborate with the National Institutes of Health and other Federal agencies when appropriate. Finally, the Board urges full development of clinical pathological research and training capabilities of DOD medical centers.

The National Kidney and Urologic Diseases Advisory Board 1990 Long-Range Plan: Window on the 21st Century provides for the first time a 10-year plan that can move the United States closer to the goal of conquering kidney and urologic diseases. The Board hopes that the recommendations in the long-range plan will be embraced by those who are affected by, as well as those who can have an effect on, the course of these diseases.

National Kidney and Urologic Diseases Advisory Board 1990 Long-Range Plan



U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES • Public Health Service • National Institutes of Health

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The National Kidney and Urologic Diseases Advisory Board 1990 Long-Range Plan Window on the 21st Century

Executive Summary
1990 Annual Report

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
Public Health Service
National Institutes of Health
NIH Publication No. 90-1510

March 1990

National Kidney and Urologic Diseases Advisory Board

The Board is composed of members appointed by the Secretary, Department of Health and Human Services, for overlapping terms of 4 years, and ex officio members. Appointed members include scientists, physicians, other health professionals, and members of the general public. Members who served on the Board during the development of the long-range plan are listed below.

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Introduction

In 1987, the National Kidney and Urologic Diseases Advisory Board began its congressionally mandated task of developing the first national 10-year plan to combat kidney and urologic diseases. This major effort was made possible by the invaluable assistance of nearly 1,000 individuals representing the public, patients, health professionals, researchers, and members of relevant voluntary and professional organizations. The result, *The National Kidney and Urologic Diseases Advisory Board 1990 Long-Range Plan: Window on the 21st Century*, presents the Board's recommendations for uniting the public and private sectors in the quest to prevent these diseases; improve methods for early detection, treatment, and rehabilitation; and, ultimately, find cures.

Although as it began its deliberations the Board had a general appreciation of the burden of kidney and urologic diseases on society, subsequent public testimony at nationwide hearings as well as other information gathered by the Board brought into sharp focus the profound hardships these diseases impose. The extent of pain, suffering, loss of time from work, disruption of the family unit, and death resulting from kidney and urologic diseases was far greater than the Board members previously had envisioned.

However, at the same time, the Board uncovered evidence of hope where hopelessness once prevailed and relief where suffering predominated. The United States can take great pride in the public and private support that has led to achievements that have permitted longer and more productive lives for hundreds of thousands of persons with diseases of the kidneys, studied and managed by nephrologists, and diseases of the urinary and reproductive system, the genitourinary tract, studied and managed by urologists.

This long-range plan seeks to accelerate this ongoing progress through recommendations in four broad areas: data collection and analysis, biomedical and clinical research, health care delivery, and education. These recommendations will enable the nephrology and urology communities to work together with the private sector and Government to achieve the following mutual goals for the 21st century:

- **Improve the understanding of the scope and impact of kidney and urologic diseases on the Nation through expanded data collection and analysis.**

"A large body of new basic science information is available for application to kidney and urologic diseases. Nevertheless, significant financial resources are necessary to translate these invaluable tools into tangible benefits for current and potential kidney and urologic disease patients."
(1990 Long-Range Plan)

- **Promote fundamental and applied research efforts that will serve as the basis for new preventive, diagnostic, and therapeutic strategies. This will require:**
  - **—additional George M. O'Brien Kidney and Urological Research Centers, with full funding of all centers.**
  - **—establishment of six centers of excellence to study cancers of the prostate, bladder, kidney, and testis.**
  - **—expansion of current Federal and private-sector grant programs, especially individual investigator-initiated Research Project Grants (R01's).**
  - **—revamped training programs and other research mechanisms.**
  - **—establishment of a separate National Institute of Kidney and Urologic Diseases at the National Institutes of Health (NIH), which will provide the focal point for this reinvigorated research effort.**
- **Improve the quality of and access to medical care appropriate to the diversity of kidney and urologic diseases and the populations they strike.**
- **Improve public, patient, and professional awareness of the opportunities for prevention, early detection, treatment, and rehabilitation.**

It is imperative that we build on past successes and move into the 21st century with a renewed commitment to conquering kidney and urologic diseases.

The Burden of Kidney and Urologic Diseases

"I am here today because I wanted to tell this hearing about the impact polycystic kidney disease has had on my family. As I read what I have written so far my words seem so inadequate compared to the sorrow, the pain, the grief and the suffering we have experienced . . . . [It] is a devastating, relentless disease that strikes us down in the prime of life."
(New York public hearing)

Kidney and urologic diseases number in the hundreds and affect approximately 13 million people nationwide. These disorders exact an enormous personal toll. Consider, for example, the raging pain of interstitial cystitis, a little understood but often debilitating disease; the agonizing uncertainty of polycystic kidney disease, one of the most common of all lethal inherited disorders; the despair of permanent kidney failure, known as end-stage renal disease, whose victims depend on lifelong dialysis or a successful kidney transplant to survive; or the dread of urinary incontinence, in which the inability to control the passing of urine can lead to depression, seclusion, and even suicide.

Persons of all ages are affected by kidney and urologic diseases—from the newborn to the elderly. However, the 65-and-older population bears the brunt of these diseases. Urinary incontinence and urinary tract infections are major health problems in older persons, as is prostate cancer, the second leading cause of cancer deaths in American men. About 80 percent of prostate cancers in the United States are diagnosed in men older than 65. Benign prostatic hyperplasia—the enlargement of the prostate gland as men age—can eventually destroy normal function of the bladder, resulting in severe infections of the urinary tract and, ultimately, permanent kidney failure.

Minority populations also suffer a disproportionate share of kidney and urologic diseases, especially prostate cancer and end-stage renal disease. For example, black Americans die from prostate cancer at twice the rate, and are affected by end-stage renal disease at four times the rate, of white Americans.

The financial burden of kidney and urologic diseases is staggering. They cost society an estimated $50 billion, or more than 8 percent of the total spent in the United States on all diseases. These expenses are borne by patients and their families, by third-party payers, by the Federal and state governments, and ultimately, by all taxpaying citizens. The costly treatments for end-stage renal disease are funded primarily by Medicare, whose expenditures for the care of 157,944 patients in 1987 exceeded $3.4 billion. As the U.S. population expands—particularly the 65-and-older segment as well as minority groups—the cost of kidney and urologic diseases is projected to increase and far exceed these figures.

The major diseases of the prostate—cancer and benign prostatic hyperplasia—are also expensive to treat. In 1985, hospitalizations and physician visits for prostate diseases cost nearly $3 billion. In addition, urinary incontinence has been estimated to cost Americans anywhere from $1.8 billion to $8 billion annually. This condition can be particularly costly to individuals, whose expenses for absorbent pads or undergarments are not reimbursed by Medicare or private insurers.

Loss of productivity is an important but often overlooked cost of kidney and urologic diseases. Time is lost from work for physician visits, hospitalizations, and treatments and because of disability. Future earnings are lost when productive members of society die prematurely from these diseases.

The enormous magnitude of kidney and urologic diseases has finally come to light as a result of the exhaustive study coordinated by this Board. However, it is important to note that the impact still may be vastly

"I desperately need help for incontinence. Often I think of suicide because of my inability to control my urine."
(Letter to Help for Incontinent People from Olympia, Washington)

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underestimated because of current nationwide limitations in data collection and analysis. Action must be taken now, through earlier detection and improved treatment, to stem the destructive course of these diseases and minimize the associated personal and societal hardships in the years to come.

Preparing for the Future

During the past three decades, striking medical advances in nephrology, urology, and kidney transplantation have begun to lift the burdens imposed by kidney and urologic diseases. This progress has occurred despite the fact that nephrology and urology are relative newcomers to biomedical research.

Only 30 years ago, few nephrologists existed to address the problems of kidney disease. Little could be done for patients with glomerulonephritis, polycystic kidney disease, severe hypertension, or other kidney disorders. People with end-stage renal disease were doomed to die because dialysis and transplantation were in their infancy and largely unavailable. Even as scientific advances paved the way to more effective treatments, prohibitive costs rationed these lifesaving measures to only a few. It was not until 1973, when the Medicare End-Stage Renal Disease Program was launched, that the medical advances of the artificial kidney and transplantation could begin to benefit a large number of patients. More recent innovations—such as the use of a synthetic version of the human hormone erythropoietin to alleviate anemia in dialysis patients—have further ameliorated the effects of end-stage renal disease as well as other kidney diseases.

Although urology is a much older specialty, newer research techniques in cellular and molecular biology have not yet been applied to the urological sciences. However, new diagnostic and therapeutic ls have been developed. For example, today urinary stones can be broken into sandlike particles through a procedure called extracorporeal shock wave lithotripsy, eliminating the need for surgery in many cases. Many patients with benign prostatic hyperplasia can avoid abdominal surgery by having transurethral resection instead. Numerous alternative procedures, including medical therapies, are under investigation. These should markedly reduce the need for surgery in the future.

There is enormous potential for greater progress in the future. The technological resources are available: Biomedical research has developed extremely powerful approaches, such as recombinant DNA technology, which allow scientists to formulate and answer

questions that have eluded solutions for decades. Unfortunately, in recent years the economic resources needed to exploit these technologies have been largely unavailable.

NIH, the Nation's premier health research organization, has been the guiding influence responsible for many research breakthroughs in the struggle against kidney and urologic diseases. Nevertheless, in 1988, NIH allocated only an estimated $188 million to research and development in this area—a very small fraction, 2 percent, of its budget. This is distressing in light of the significant human and economic costs of kidney and urologic diseases. Although the private and voluntary sectors have lent considerable support to nephrology, kidney transplantation, and urology research, this additional funding has not met the remaining needs.

Today nephrology and urology stand at the threshold of a renaissance in research and patient care. This also applies to the area of kidney transplantation. Support for research programs in these fields must be strengthened so that a new era of diagnosis, treatment, rehabilitation, and cure can unfold. A significant infusion of new funds will help to ensure a stable career path for nephrology and urology research investigators and sufficient research grant opportunities once independence has been achieved. The new funds will also serve to strengthen kidney and urology research programs, particularly centers of excellence, and establish a new NIH institute devoted solely to the problems of kidney and urologic diseases. The new institute is critical for two reasons: The National Institute of Diabetes and Digestive and Kidney Diseases (NIDDK) has limited resources that must be shared among other disease areas, and additional funding for kidney and urologic disease research is fragmented throughout the other NIH Institutes. A separate institute would provide an organizational focus for the specific needs of kidney and urology research as well as recognize and respond to the devastating human and societal costs of kidney and urologic diseases.

"It is clear to the Board that under current circumstances nephrology and urology research cannot be ensured an adequate supply of committed, well-trained scientists who can be expected to sustain a long period of independence, creativity, and productivity."
(1990 Long-Range Plan)

Training Nephrology and Urology Research Investigators

Research investigators are at the core of our ability to solve the problems of kidney and urologic diseases. However, it is clear to the Board that the fields of nephrology and urology increasingly lack the ability to ensure an adequate supply of committed, well-trained scientists who can be expected to sustain a long period of independence, creativity, and productivity. Moreover, NIH-supported research training in both adult and

pediatric urology and pediatric nephrology is virtually nonexistent. These serious deficits threaten to retard the flow of scientific progress that can lead to the medical breakthroughs of tomorrow.

Several interrelated factors have contributed to the problem. First, the funding for nephrology and urology research training programs—based primarily in NIDDK—has not kept pace with the need. Other traditional sources of training funds are limited. Second, there is no well-defined nor ensured training and career development pathway for potential investigators that leads from recruitment to developing research skills to establishing independent research careers to refining skills at midcareer. And third, the current time spent in and support for research training falls far short of the time needed to develop independent research investigators.

The Board has concluded that potential nephrology, urology, and kidney transplantation research investigators must have reasonable access to a stable, adequately funded career pathway. The existence of such a pathway requires the appropriation of additional funds to enhance NIDDK's Institutional Training Grants, Individual Research Fellowships, and Career Development Awards in these areas. This will open the door to new investigators and sustain them as they work toward independence.

"I'm here to speak to you about my son, Toby, who has suffered, for 16 years, the effects of urologic dysfunction, which altered in many ways his life and the lives of his family. Financial costs can be calculated; the emotional price is inestimable. It is important to remember that there is no cure for Toby's condition. At every step in his treatment we have run up against lack of research, lack of technical expertise, lack of equipment . . . ."

(New York public hearing)

More research training funds are needed immediately, especially in the areas of adult and pediatric urology and pediatric nephrology. Other subspecialties with critical training needs are renal and urologic pathology and renal and urologic epidemiology. Without the infusion of new funds to these areas, critical research personnel shortages can only be met by reductions in other already underfunded programs, such as adult nephrology research training.

To expand desperately needed support for **research training** in the areas of nephrology and urology, the Board recommends that:

- **Congress appropriate an additional $8 million per year so that NIDDK can substantially and steadily increase funding for Institutional Training Grants and Individual Research Fellowships in kidney and urologic diseases.**
- **Congress appropriate an additional $800,000 per year for NIDDK to add a total of four training positions for pediatric nephrology and pediatric urology research to the existing pool of adult and pediatric Institutional Training Grants for each of the next 5 years. Also,**

that Congress appropriate an additional $210,000 per year to NIDDK to add six additional Individual Research Fellowships in pediatric nephrology and pediatric urology.

- **Congress appropriate an additional $5 million per year to NIDDK to expand the number of Career Development Awards and inflation-adjust the stipend level in each of the 5 years of urology and nephrology training.**
- **Congress appropriate an additional $350,000 to NIDDK to develop methods within the postdoctoral training programs to establish training programs for individuals in renal and urologic pathology and renal and urologic epidemiology.**
- **Congress appropriate an additional $500,000 per year to enable NIDDK and the National Cancer Institute to create 10 new training positions in urologic disease for both physicians and Ph.D.'s.**
- **The NIDDK expand its training program by developing a new joint fellowship program, in collaboration with the American Foundation for Urologic Disease Scholars Program, for both physicians and Ph.D.'s.**

Galvanizing and Sustaining a Struggling and Fragile Research Effort

Although bolstering research training is critical to the fight against kidney and urologic diseases, of equal importance are the research mechanisms that allow trained investigators to produce medical advances. The long-range plan contains recommendations to NIH, including NIDDK, and other Federal agencies to optimize the course of nephrology, urology, and kidney transplantation research.

Following completion of training, new investigators should have a reasonable opportunity to successfully compete for the individual research grants known as FIRST Awards and Research Project Grants. Without such assurances, potential nephrology and urology investigators have little incentive to pursue and complete the rigorous training period. The Board is particularly concerned about the minimal funding of the investigator-initiated Research Project Grant mechanism, which is one of the most important milestones in an investigator's career. These grants encourage and support meritorious research efforts, many of which yield major scientific breakthroughs. Increased support of

"NIH experience shows that specialized research centers provide a valuable means of focusing investigations on a given topic or disease."
(1990 Long-Range Plan)

investigator-initiated Research Project Grants is imperative if new and committed investigators are to be encouraged to become independent.

The emphasis on sustaining researchers must extend to Senior Fellowship Awards, which provide the opportunity for senior investigators to broaden their knowledge by retraining in new and/or developing areas. Only by capitalizing on the investments already made in these individuals can nephrology, urology, and kidney transplantation research hope to stay on the cutting edge of science.

Another important initiative concerns centers of excellence, which bring together the mutual strengths of institutions to support basic research and apply the findings to clinical research activities. In 1987, following authorization and appropriations from Congress, NIDDK established six George M. O'Brien Kidney and Urological Research Centers to focus on diseases of the kidneys and urinary tract. This provided the opportunity to study diseases that had previously received scant attention, such as benign prostatic hyperplasia, glomerulonephritis, and neurogenic voiding dysfunction. Unfortunately, fiscal constraints resulted in decreased initial funding of the centers. The Board believes that the centers concept brings together research investigators in a proven way to address the problems of kidney and urologic diseases. As such, the O'Brien centers should be fully funded and their numbers expanded.

The centers concept also has a critical role in unraveling the problems of kidney and genitourinary cancers. The Board is concerned that despite the current involvement of the National Cancer Institute in urologic cancer research, the Institute's total support directed to this area in fiscal year 1988 amounted to only 2.3 percent of its budget. Based on the significant and growing public health impact of these cancers and prostate cancer in particular the Board believes that focused and coordinated center-based research efforts are critical.

Additionally, the Board recommends the expansion of nephrology, urology, and kidney transplantation research activities of other Federal agencies with responsibility for or expertise in kidney and urologic diseases. Regarding research at NIDDK, the Board recommends an expansion of the intramural program in nephrology and the creation of such a program in urology.

It is crucial that scientists be recruited to investigate areas in which there is a paucity of research such as urinary incontinence and polycystic kidney disease. An important tool for stimulating research is the request for applications (RFA), which solicits investigators to submit proposals in targeted areas requiring study. The use of this tool should be expanded for special areas

highlighted in the plan that require basic or clinical research, and NIDDK should establish ad hoc groups to review new RFA's for clinical trials in these areas.

Although some diseases occur at a frequency that allows clinical trials to be carried out within a single medical center, these conditions are the exceptions. The collection of sufficient data to test properly the outcome of current and potential treatment strategies frequently requires the collaboration of multiple institutions. An example of a highly successful clinical trial is the National Wilms' Tumor Study Group, which transformed a virtually fatal disease into one with a 90 percent cure rate. Nevertheless, today few such efforts address kidney and urologic diseases. There are many important opportunities available for clinical studies in kidney and urologic diseases. One example is cooperative investigations into the cause, natural history, and treatment of glomerulonephritis, a primary cause of end-stage renal disease. NIDDK's initiative on Renal Disease and Hypertension in Blacks is an example of an important clinical study now under way. Hypertension is the most common cause of end-stage renal disease in this population. More resources are needed for clinical studies if patients are to benefit from the best that science has to offer.

To expand **research** in the areas of kidney and urologic disease, the Board recommends that:

- **Congress appropriate an additional $15 million per year to NIDDK to increase the number of George M. O'Brien Kidney and Urological Research Centers from 6 to 18, with full funding of all centers. In addition, funding for the centers must be expanded to include research training.**
- **Congress appropriate an additional $10 million per year to the National Cancer Institute to establish six centers to study cancers of the prostate, bladder, kidney, and testis. Furthermore, that NCI's organ systems program—especially its urologic components—be expanded, supported, and strengthened with increased funding; that an intramural urologic oncology fellowship program be developed; and that the scope of clinical trials for urology be expanded with increased funding.**
- **Equitable funding of approved Research Project Grant (R01) applications between and within the divisions of NIDDK occur during fiscal year 1991. Furthermore, that Congress**

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appropriate an additional $46 million per year to NIDDK to increase the funding level for R01's focused on kidney and urologic diseases to the 50th percentile within 5 years.

- Congress appropriate an additional $8 million per year to NIDDK to increase the funding level of FIRST Awards for nephrology and urology trainees, ensuring sufficient funds to develop independent investigators.
- Congress appropriate an additional $30 million per year for an expanded NIDDK extramural program to include sufficient funding for clinical trials and clinical research in nephrology, urology, and kidney transplantation.
- Congress appropriate an additional $7 million per year to NIDDK to establish an intramural program in urology and expand its support of the intramural programs in nephrology.
- Congress appropriate new funding to NIDDK for the issuance of RFA's in special areas of concern requiring further basic and/or clinical research.
- The NIDDK establish ad hoc review groups to review applications submitted in response to RFA's for clinical trials.
- Congress appropriate an additional $500,000 per year to NIDDK to increase the number and stipend levels of nephrology and urology Senior Fellowship Awards.
- NIH clinical and basic research fellowship opportunities in urology be expanded at the National Cancer Institute and be created at NIDDK.
- The Director of NIH allocate additional funds for small business grants and contracts in the field of kidney and urologic diseases.
- The Kidney and Urology Program of NIDDK expand studies on the effects of diabetes on the kidney and the genitourinary tract and on the role of hypertension and its regulation in the progression of diabetic renal disease.
- The NIDDK expand its basic and clinical research programs to study the interaction of pathogens and infections in urinary tract infections and the outcome of clinical interventions.

- **Congress authorize three personnel positions and appropriate an additional $400,000 per year to the Centers for Disease Control to support the development, evaluation, improvement, and standardization of laboratory methods for the early detection and monitoring of kidney disease as these studies pertain to ongoing clinical trials, emerging therapy, and evaluation of kidney damage from human exposure to toxic substances.**
- **Congress appropriate increased funds to NIDDK to hold seminars, workshops, and Consensus Development Conferences on topics related to kidney and urologic diseases.**

In addition to the preceding recommendations, Congress should appropriate an additional $18.2 million per year to the following Federal agencies with responsibility for or expertise in kidney and urologic diseases:

Agency	Recommendation	Additional Funds per Year (in millions)
National Center for Nursing Research	Expand research addressing kidney and urologic disease patient care	2.0
National Heart, Lung, and Blood Institute	Expand research efforts addressing hypertension and chronic renal failure	—
National Institute of Allergy and Infectious Diseases	Expand program projects in transplantation immunology; expand minority tissue typing program; develop other cooperative clinical trial programs and outreach/demonstration activities in transplantation	5.0
National Institute of Arthritis and Musculoskeletal and Skin Diseases	Expand research programs targeted to renal manifestations of arthritis and musculoskeletal and skin diseases	—
National Institute of Child Health and Human Development	Expand research related to congenital and hereditary abnormalities of kidneys and urinary tract; expand program in reproductive biology and collaborative training programs	5.0
National Institute of Environmental Health Sciences	Increase collaboration with NIDDK to identify environmental factors causing kidney and urologic diseases	—
National Institute of Mental Health	Examine psychosocial factors that affect development and course of kidney and urologic diseases	—
National Institute of Neurological Disorders and Stroke	Expand research programs related to neurologic control of lower urinary tract and erectile functions and programs related to abnormalities of these mechanisms in neurologic disease	—
National Institute on Aging	Expand studies on the effect of aging on incontinence, benign prostatic hyperplasia, and prostate cancer	2.0
Centers for Disease Control (National Institute for Occupational Safety and Health)	Conduct research into occupational hazards to kidneys and urinary tract to permit the development of rational worker protection standards	0.2
Department of Defense	Support relevant research	4.0
Department of Veterans Affairs	Continue to support and strengthen biomedical research program and augment kidney and urology research training	—

"[Interstitial cystitis] is an extremely painful and debilitating disease . . . . The frequency of urination can be as much as 60-100 times per day. As a result of the pain and frequency, many interstitial cystitis patients cannot even leave their home for a short trip to the grocery store. They are trapped in a body that is torturing them day and night with no hope of relief . . . ."

(New York public hearing)

Meeting the Challenge

The Board's research recommendations pave the way toward the conquest of kidney and urologic diseases. By providing a stable career pathway and sufficient research support, the recommendations ensure that our best and brightest will be able to produce research that will ultimately lead to improved treatments and cures. However, organizational changes will be necessary to make the most efficient and effective use of the new funds being requested. Some of these changes can be accomplished immediately; others will take longer.

Revitalizing the review and award process for kidney and urology research grants is an important focus of the long-range plan. Today, many members of NIH study sections that provide scientific merit review of kidney and urology research proposals lack specific training and experience in these areas. Immediate improvements in the application review process would encourage the submission of research applications, increase the likelihood of success, and expand funding for quality nephrology and urology research.

For the longer term, a new organization is critical to coordinate all facets of research and training in the struggle against kidney and urologic diseases—a structure that can provide a focus of activities for the reinvigorated research programs, respond to research problems in a timely fashion, and become a center of multidisciplinary expertise dedicated to the struggle against kidney and urologic disease. The establishment of a National Institute of Kidney and Urologic Diseases is a natural outgrowth of the increasing momentum in kidney and urology research demonstrated during the past 20 years and the acceleration recommended by this plan.

To create an **organizational focus** for kidney and urologic diseases, the Board recommends that:

- **Congress establish a new National Institute of Kidney and Urologic Diseases within NIH.**
- **Congress appropriate an additional $300,000 to NIH for the Division of Research Grants to establish a nephrology study section.**
- **Congress appropriate an additional $300,000 to NIH for the Division of Research Grants to establish a urology study section.**

Maximizing the Yield on Our Investment in Health Care

As noted previously, considerable resources are required in the fight against kidney and urologic diseases. Training and sustaining research investigators and conducting basic and clinical research are important investments in the health of our Nation's citizens. But the results of these investments must be applied wisely if current and future patients are to receive the best possible care. The Board has concluded that improvements are needed in four key areas: the transfer of basic and clinical research findings to practitioners, the public, and patients; the provision of equitable access to quality health care; the availability of adequate reimbursement; and the training and staffing of health care personnel.

Technology Transfer and Education

The decade in which this long-range plan's recommendations will be implemented will be characterized by a rapidly evolving technology in an environment of heightened concern about the amounts of Government and private expenditures devoted to health care. The Board recognizes that new techniques arising from fundamental research have great potential for improving the health of the Nation. However, it also keenly appreciates the need for careful assessment of the health benefits and cost impacts of these new technologies—using scientifically valid and unbiased mechanisms—before they are applied to disease prevention, diagnosis, or care. Existing technologies and practice patterns should undergo similar evaluation.

After technologies are assessed, they must be provided to individuals in need. Technology transfer—translating the products of medical research into treatments for patients—is complex, and optimal transfer strategies have yet to be developed; however, opportunities do exist. The Centers for Disease Control possesses the expertise required to assess the public health impact of kidney and urologic diseases, design and conduct demonstration projects, apply intervention strategies based on these projects and other sources, and evaluate whether the interventions have led to decreased morbidity and mortality.

Public health education is one mechanism that facilitates the transfer of recent health advancements and treatments from the laboratory to individuals in need. The Board commends the voluntary and professional health organizations that have worked to educate the public about kidney and urologic diseases. However, even the most effective programs remain largely isolated and uncoordinated. A comprehensive plan for

"Health education, while it has earnest goals and objectives, has lacked sufficient organizational and financial support for it to have its most positive influences . . . . With all the energy and funding we put into raising and educating our children, it makes sense to teach them how to develop lifestyle habits that will help them to live past age 35!"
(Atlanta public hearing)

"Recognizing the national crisis in the availability of organs for donation and the problems that may contribute to it, the Board recommends the development of a comprehensive plan to increase organ donation."
(1990 Long-Range Plan)

public education would have the potential to save more lives and reduce the pain and expense of preventable diseases.

One of the most critical areas requiring public education is organ donation. As a result of the imbalance in the rate of organ donation and the increasing demand for donor organs, nearly 16,000 people were on the national kidney transplant waiting list as of October 1989. Recent reports indicate that waiting lists and waiting times are increasing in many transplant centers.

Most transplanted organs come from critically injured patients who have been declared "brain dead." Surveys have shown that public misperceptions about brain death and the organ donation process may be one reason for the shortage of donor kidneys. Some people apparently believe that consent to donate organs may hasten the potential donor's death.

Brain death is not a living, comatose state; rather, it is the total irreversible cessation of brain function. Even though the patient is dead, organ function can be maintained mechanically until the organs are removed for transplantation. However, because tissue damage can occur even after a short period of artificial maintenance, rapid consent for donation is essential. Public education programs must clearly convey these facts if more persons are to pledge their own kidneys and/or if they are to consent to donate those of their recently deceased relatives. Moreover, professional education programs are urgently needed so that families of potential donors can be approached in a timely yet sensitive manner.

Current public school health education programs throughout the Nation lack information on the kidney and genitourinary system. To rectify this omission the Centers for Disease Control should prepare relevant materials for school health education programs, including information on organ and blood donation.

State-of-the-art professional education is imperative for all practitioners dealing with the complex issues associated with the prevention, diagnosis, and treatment of kidney and urologic diseases. The Board wishes to recognize the contributions in this area by the many kidney and urology professional and voluntary organizations. However, significant gaps in education programs remain. The Board believes that this can be remedied in part through the development and distribution of specific information on kidney and urologic diseases to those preparing for and practicing in the health care arena.

To improve the application of research findings to kidney and urologic disease patients through **technology transfer and education**, the Board recommends that:

- **Congress authorize 18 personnel positions and appropriate an additional $10 million per year to the Centers for Disease Control to establish a comprehensive public health program to address problems in kidney and urologic diseases.**
- **Congress appropriate an additional $1.3 million per year to the Health Resources and Services Administration to develop and implement culturally relevant patient and public education programs about organ donation and transplantation that are sensitive to the special concerns of minority populations.**
- **Congress authorize two personnel positions and appropriate an additional $1 million per year to the Centers for Disease Control to develop appropriate, age-specific information on kidney and urologic diseases for use in school health education curriculums.**
- **Relevant professional organizations convene a group of experts to develop and distribute concise statements about kidney and urologic patient care for students enrolled in formal professional education programs, subspecialty trainees, and practicing health care providers.**
- **Congress authorize 10 personnel positions and appropriate an additional $4 million per year to NIDDK to establish a national kidney and urologic diseases education program to address prevention and early detection through health education in specific disease areas.**
- **Congress appropriate an additional $500,000 to NIDDK for the National Kidney and Urologic Diseases Information Clearinghouse to develop and promote a comprehensive presentation of all end-stage renal disease treatment options in English and Spanish, for distribution to all end-stage renal disease care providers.**
- **Congress authorize 12 personnel positions and appropriate an additional $6 million per year to the Centers for Disease Control to undertake population-based community demonstration projects for the purpose of developing and evaluating the public health**

and private medicine partnerships needed to deliver known and effective preventive methods for reducing or delaying end-stage renal disease in high-risk populations.

Achieving Equitable Access to Quality Care

A substantial void exists between state-of-the-art prevention, detection, and treatment of kidney and urologic diseases and the level of knowledge and care that is available to members of medically underserved populations and minority groups. Two Federal agencies provide direct services to these persons: the Health Resources and Services Administration and the Indian Health Service.

"In 1987, blacks were more than four times more likely, and Native Americans about three times more likely, to have end-stage renal disease than were white Americans."
(1990 Long-Range Plan)

The Health Resources and Services Administration helps to provide medical care to residents of underserved areas and to populations with special health care needs. A major target of these efforts is the country's disadvantaged minority populations, including black Americans, Hispanics, Asian Americans, and Native Americans, a population that includes American Indians and Alaska Natives. The agency should expand its current programs in kidney and urologic diseases for all underserved persons and members of minority groups.

The Indian Health Service is the agency of the U.S. Public Health Service responsible for improving the health of Native Americans. In view of the disproportionately large number of Americans Indians with end-stage renal disease, the Board recommends the development of a kidney and urologic disease program within the Indian Health Service that includes an ongoing surveillance system to track disease rates and to evaluate treatment outcomes.

The Department of Veterans Affairs (VA) provides chronic dialysis treatment, renal transplantation, and spinal cord injury care to large numbers of veterans. Most of the individuals treated by the VA have special eligibility for care because of service-connected disabilities or low income levels. A significant fraction of VA dialysis patients may be ineligible for Medicare support. Despite their invaluable contributions, VA programs have repeatedly been threatened with reduced services because of budgetary constraints. The Board recognizes the enormous contributions made by the VA kidney and urologic disease programs and supports their continued delivery of quality care.

The ultimate goal of biomedical research is the delivery of quality health care to those who need it. However, a particular concern in the nephrology and

urology communities is the possibility that recently instituted cost-containment measures may impair the quality of care delivered to kidney and urologic disease patients. Based on this concern and on the increasing complexities of health care delivery, it is imperative that uniform measures be established to accurately assess the quality of care.

Efforts must be made to develop quality-assurance systems that benefit kidney and urologic disease patients as well as all health care providers who treat them. Standards for such systems need to be flexible, practical, and consensus-derived for widespread acceptance and implementation. To ensure this, private foundations, professional organizations, and the Health Care Financing Administration must work together to develop methods to measure and promote quality assurance.

To ensure equitable **access to quality care**, the Board recommends that:

- **Congress appropriate at least an additional $17 million per year to the Department of Veterans Affairs so that it may continue its longstanding support of chronic dialysis and renal transplantation and an additional $700,000 per year to strengthen programs within the VA medical centers that address the urinary problems associated with spinal cord injury.**
- **Congress appropriate an additional $2.3 million per year to the Health Resources and Services Administration to expand its programs in kidney and urologic diseases for underserved and minority populations.**
- **Congress authorize 10 personnel positions and appropriate an additional $2 million per year to the Indian Health Service to develop a kidney and urologic disease program with the major objective of coordinating improved care for Native Americans with these diseases.**
- **Private foundations, professional organizations, and the Health Care Financing Administration join together to develop methods to measure and promote quality assurance.**

Humanizing Reimbursement Policies

It is clear that in an era of escalating costs and evolving technology, mechanisms of reimbursement have a critical impact on the availability of health care to broad segments of society. These mechanisms will likely undergo major revisions in the coming years in both the

". . . As my husband and I were looking at the hospital bills, he said, 'If you were a car, our insurance company would have totaled you.'"
(New York public hearing)

public and private sectors. The Board will carefully monitor the changing reimbursement environment to help encourage the use of emerging technologies in ways that benefit the health status of the population as a whole. It will also attempt to ensure that mechanisms are developed to promote equitable access to these modalities by all patients and potential patients in need of care.

Medicare payment for end-stage renal disease patients was made available in 1973 with the implementation of the Medicare End-Stage Renal Disease Program. While this allowed treatment for thousands, the program continues to present certain problems for end-stage renal disease patients, who endure lifelong chronic illness on a largely outpatient basis. The larger Medicare system was originally intended for acutely ill, hospitalized elderly persons—a design that frequently interferes with the needs of chronic disease patients. Methods to provide flexible, meaningful responses to these needs must continuously be sought.

Important reimbursement problems also exist in the area of transplantation. Patients who receive kidney transplants must continually take costly immunosuppressive drugs to prevent rejection of the transplanted organ. Medicare-eligible kidney transplant recipients younger than 65 are limited to 1 year of coverage for immunosuppressive therapy after transplantation. This coverage is clearly insufficient for those patients who are unable to pay for these lifesaving drugs once Medicare eligibility expires. According to a 1987 Health Care Financing Administration report, *Findings From the National Kidney Dialysis and Kidney Transplantation Study*, nearly one-third of all end-stage renal disease patients live in poverty. Because they are unable to afford antirejection medications, their kidneys fail. This either forces a return to dialysis—a treatment that is more costly to society—or results in death. Therefore, it is essential that the Health Care Financing Administration provide reimbursement for immunosuppressive therapy for the life of an individual's transplanted kidney.

"I do not understand why I am labeled by people as 'unemployable' or unusable. I am in a worse position financially now with a kidney than I was on dialysis . . . . Are we transplanting them only to go out into the world to be rejected by employers who do not understand us and our circumstances?"

(Dallas public hearing)

Rehabilitation is a process through which disabled or chronically ill persons can reach their highest level of autonomy. However, the Board has identified several reimbursement-related barriers that impede this process for patients with kidney and urologic diseases. For example, transplant patients who receive disability income payments have a financial disincentive to return to work. Once income begins to rise, the disability payments often cease automatically, and the treatments that enabled a return to employment in the first place are no longer affordable. Employers, in turn, are reluctant to hire such patients for fear of absenteeism, increased health insurance claims, and higher health insurance premiums.

The Board strongly supports current rehabilitation research and delivery efforts and encourages their expansion, particularly in the areas of kidney and urologic diseases. Reimbursement policies must ensure access to rehabilitation services for patients with these diseases.

To improve **reimbursement policies** for all kidney and urologic disease patients, the Board recommends that:

- **Congress require the Health Care Financing Administration to provide reimbursement for immunosuppressive therapy for the life of an individual's transplanted kidney.**
- **The Prospective Payment Assessment Commission examine reimbursement policy and monitor its adequacy and relationship to quality of care for future kidney and urologic disease patients.**
- **The Secretary of the Department of Health and Human Services continue to promote the development and maintenance of self-help and mutual aid groups for kidney and urologic disease patients.**
- **The Secretary of the Department of Health and Human Services promote reimbursement policies that encourage physical and psychosocial rehabilitation and the services necessary to provide them.**
- **Congress mandate that reimbursement policies include health promotion and disease prevention strategies as covered expenses for kidney and urologic disease patients.**
- **The recommendations included in the *Medicare Coverage Process* report issued in September 1988 and prepared by the National Advisory Council on Health Care Technology Assessment be implemented.**

Providing Optimal Human Resources for Patient Care

The care of kidney and urologic disease patients does not rest with any single profession. It is a collaborative effort, staffed by a variety of health care practitioners with diverse backgrounds and complementary skills. However, severe current and projected shortages in several of these professions jeopardizes our Nation's ability to care for those who suffer from diseases of the kidneys and genitourinary tract.

Currently, clinical pediatric nephrologists are in short supply, and the situation is expected to worsen. In addition, the demand for nephrology and urology nursing

"Specialty training in the areas of neurology, incontinence, and prosthetics needs to be upgraded. The vast majority of patients with neurologic dysfunction of the urinary tract are managed by physicians with little or no formal training in this area . . . ."
(Boston public hearing)

services exceeds the supply of nurse specialists in these areas. As greater technical skills and patient care responsibilities are delegated to the various members of the multidisciplinary health care team, a basic level of knowledge and training will become essential. Steps must be taken at the Federal level and within the private sector to improve professional education activities and meet this crucial need.

To ensure the provision of optimal human resources for patient care, the Board recommends that:

- **Congress appropriate an additional $600,000 per year to the Health Resources and Services Administration for at least 10 scholarships, grants, and loans for the education of nonphysician nephrology, urology, and kidney transplantation specialists.**
- **Appropriate national professional organizations examine and define the roles, responsibilities, and educational requirements for nonphysician personnel within the fields of nephrology, urology, and kidney transplantation.**
- **The Centers for Disease Control and Occupational Safety and Health Administration continue to take action to ensure a safe working environment with respect to HIV infection to preserve the retention and recruitment of nephrology and urology health care providers.**

Moving Toward a More Complete Understanding of the Scope and Impact of Kidney and Urologic Diseases on Society

The accumulation of a large, comprehensive data bank is critical to a complete understanding of the many components of kidney and urologic diseases. Despite the alarming findings in these areas by the Board, the scope and impact of kidney and urologic diseases may be vastly underestimated, due to the many gaps and deficiencies inherent in current data collection systems. The Board supports the continued efforts in data collection conducted by various agencies and believes that its recommendations to strengthen these systems will provide a more accurate picture of this patient population. This in turn will enable the scientific and medical community to better define the impact of medical advances against kidney and urologic diseases over the coming decades.

To improve current data collection and analysis efforts, the Board recommends that:

- **The Interagency Coordinating Committee on Kidney, Urology, and Hematologic Diseases monitor the collection of data on kidney and urologic diseases by relevant Federal agencies (e.g., Centers for Disease Control, Health Care Financing Administration, etc.).**
- **The Agency for Health Care Policy and Research commission an economic analysis of the direct and indirect costs of kidney and urologic diseases.**
- **Congress authorize five personnel positions and appropriate an additional $2 million per year to the Centers for Disease Control's National Center for Health Statistics to link the health status data on kidney and urologic diseases collected by its National Health Interview Survey and National Health and Nutrition Examination Survey to health outcome data sets.**
- **Continued efforts be made to create new ICD codes that reflect patient problems and meet the needs of clinicians, researchers, and policymakers.**
- **Congress authorize one personnel position and appropriate an additional $1 million per year to the Centers for Disease Control to organize annual scientific conferences and workshops for discussing descriptive and applied epidemiological studies on kidney and urologic diseases and for disseminating information.**

Conclusion

Kidney and urologic diseases strike a significant and diverse portion of the U.S. population. Although all ages and races are affected, those hardest hit are elderly persons and members of minority groups. These numbers are expanding every day, as are the personal and economic tolls kidney and urologic diseases take on society.

The National Kidney and Urologic Diseases Advisory Board 1990 Long-Range Plan: Window on the 21st Century provides for the first time a 10-year plan that can move the United States closer to the goal of conquering kidney and urologic diseases today and beyond the year 2000. The Board hopes that the recommendations in the

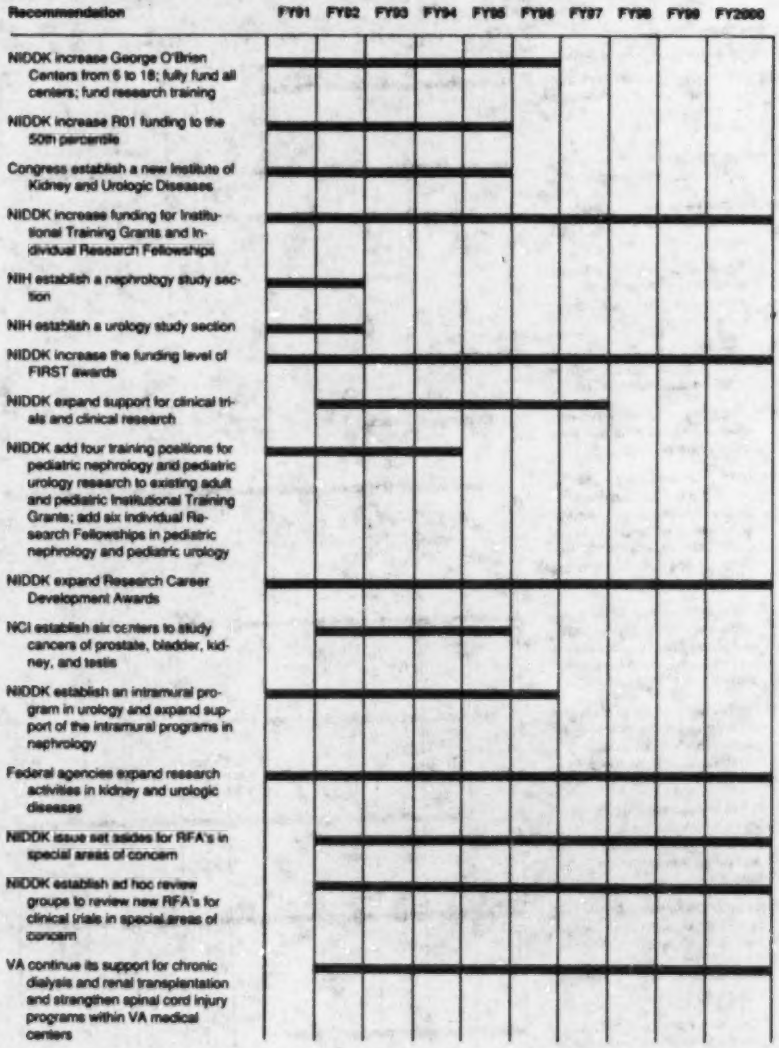
"Last August, just before my 30th birthday, I was diagnosed as having testicular cancer . . . . Fifteen years ago, perhaps even less, my disease was an unstoppable killer, among the most fatal of all cancers. Today it is among the most curable. Funding for vital research must continue, and increase. I am living proof it pays."

(Boston public hearing)

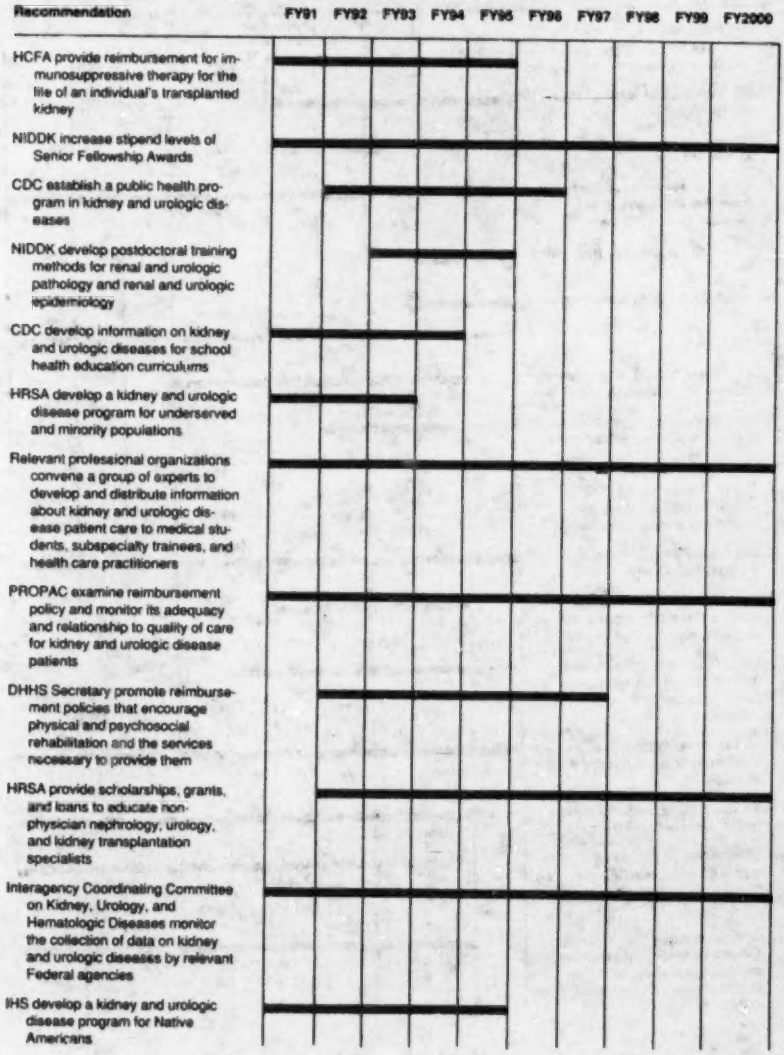
long-range plan will be embraced by those who are affected by—as well as those who can have an effect on—the course of these diseases, including members of Congress, the Secretary of the Department of Health and Human Services, other Federal agency officials concerned with kidney and urologic diseases, leaders of relevant professional and voluntary organizations, patients, researchers, and health professionals.

Implementation of the Board's recommendations requires a significant commitment of our Nation's resources, but these will be well spent. The alternative is to rely on a shrinking, underfunded, largely uncoordinated research effort that will be unable to capitalize on past achievements; treatment approaches that emphasize expensive, sometimes unproven, technologies; and a promising but as yet unrealized potential to ensure that breakthroughs in the research laboratory yield equally dramatic results when transferred to persons with kidney and urologic diseases or when used to prevent these diseases from occurring.

Initiation and Targeted Completion of Implementation of Selected Recommendations, by Fiscal Year



Initiation and Targeted Completion of Implementation of Selected Recommendations, by Fiscal Year (continued)



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